

WEEK
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BUSINESS WEEK



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Target for today — the oil wells of Caucasian Baku, where, at least, the length of the war may be determined.

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BUSINESS

WEEK

INDEX

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Why there's only one country in the world that could win this war

THE JAPS were fools to think they could—they believed industry could be created by government edict. In the flaming ruins of their empire they'll read the answer: industry can only grow slowly, from thousands of little shops that finally grow great in skill and equipment by plowing back the profits and the skills of generations.

THE GERMANS should have known they couldn't win. Free men have always out-produced as well as out-fought the slaves, the regimented, and those organized by force instead of by free choice.

THE FRENCH could not win. They couldn't cooperate with each other—labor fought management, management distrusted labor, government wrangled with both.

Even **THE BRITISH** couldn't win alone, in spite of their glorious courage. They had never raised their standard of living high enough by maximum production to create industry big enough to win a modern war.

AMERICA is the only country in the world that could win this war, as all these others will find out. This is a war of production, and as the world itself has proved, *enough* production, *in time*, can come *only* from the free enterprise system of free men.



YOU CAN TURN IT
BETTER, FASTER,
FOR LESS... WITH A
WARNER & SWASEY





Rubber necktie keeps pipe from cutting its own throat

A typical example of B. F. Goodrich development in rubber

OIL WELLS are drilled by spinning a steel pipe with a sharp "bit" on the end—it literally eats its way into the earth. As the hole goes down it is lined with pipe called casing, to prevent collapse.

But that means one steel pipe is revolving inside another—they can't help but rub. Holes were worn in the casing, mud and water would pour into the well, make expensive repairs necessary. An oil man had an idea—fasten rubber like a necktie around the drill pipe to protect it from rubbing

the steel casing. But the rubber wouldn't stay in place—it sagged and slipped down—left the pipe unprotected where protection was needed most—and let the costly wear of pipes continue.

B. F. Goodrich had a process for making rubber stick to steel (it's called the Vulcalock method). So they developed a wide ring of rubber, hinged on one side, with a ring of metal buried in it and fastened to the rubber by that process. In the metal is a lock with a wedge-shaped pin that

draws it so tight around the pipe it can't move up or down. Miles of expensive pipe are saved by this B. F. Goodrich development, drilling time is saved, wells cost less.

Research like this continues even in the period of rubber restrictions, and many new things will be ready when rubber is once more available for peace. *The B. F. Goodrich Company, Industrial Products Division, Akron, Ohio.*

B.F. Goodrich

FIRST IN RUBBER

MOBILIZATION BASE

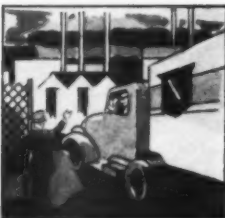
FOR ELECTRICAL "TASK FORCES"



MILITARY MEN might call it an electrical "task force". To GRAYBAR, it's a "unit shipment". That is: a balanced combination of electrical equipment, tools and supplies . . . made up of hundreds of separate items from different sources . . . and comprising *everything* necessary to complete a certain job.



A COMPLETE TELEPHONE SYSTEM for a military base is one recent example of a *task force* mobilized by GRAYBAR. It included all the switchboard apparatus, instruments, tools, wire and cable, as well as scores of small items such as connectors, splicing compound, switchboard lamps brought together from different makers. All were assembled, packed for fast, orderly installation on arrival.



ON THE INDUSTRIAL FRONT, GRAYBAR mobilizes other *task forces* to meet emergencies. At one plant, for example, a fire seriously crippled the electrical system just at a time when war work brooked no delay. A check-up showed 57 individual items were needed to restore the plant to service. A GRAYBAR warehouse got the order at 3:30 one afternoon. *All* the required items . . . or acceptable alternates . . . arrived at the plant in a solid truckload at 10 o'clock the following morning.

YOUR OWN ORDERS

for electrical supplies to increase the efficiency of war plants get the benefit of these same facilities when they go to one of GRAYBAR's local "mobilization points". GRAYBAR can help you conserve manpower, simplify purchasing, and speed up the delivery of critical needs. Why not make it a policy to take advantage of this "know-how"?

KNOW-HOW

in warehouse stock control, and in the physical problems of stocking, marking, packing and shipping, is one reason for GRAYBAR's efficient "electrical mobilization" service. Close contact with more than 200 manufacturers on what's available and where is another.

GraybaR

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BUSINESS WEEK and The ANNALIST

WHERE TO FIND IT

Washington Bulletin
Figures of the Week
The Outlook
War Business Checklist
The War—and Business Abroad
New Products
Marketing
Labor
Commodities
Finance
The Trading Post
The Trend

THE PICTURES

Cover—Julien Bryan; 7—Harris and Ewing; 15—Wide World; 18—Harris and Ewing; 20—Wide World; 28—Acme; 30, 40—Press Assn.; 58, 68—Acme; 82—Harris and Ewing

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Business Week • August 22, 1942

WASHINGTON BULLETIN

WHAT THE WASHINGTON NEWS MEANS TO MANAGEMENT

It's Up to All of Us

A totalitarian war like this one is a civilian war. This is vividly demonstrated by the present difficult situation. The critical problems we now face are the kind that civilians rather than soldiers know about. The critical decisions have to be made by civilians. Here are the biggest difficulties:

(1) Expansion of raw material supply—a job for mining engineers.

(2) Expansion of capacity for semi-fabricated items and parts—at the moment, our most critical problem (BW—Aug. 8'42, p15). Even those military men who specialize in armament production have only a layman's knowledge at this level, for they pick the job up at the assembly level.

(3) Keeping the armament production plants in balance with the industrial supply sources behind them.

Services Critical of Civilian Job

The President knows that this war, except at the spot where the guns are being fired, is a civilian job. Military men themselves, basically, recognize it; their real quarrel is with failure, in their eyes, of civilians to do that job.

This is why, even though Nelson should fall, it won't necessarily or even probably mean a complete shift to military control. Another civilian would get the job (page 34). Some congressmen are talking about Henry J. Kaiser; New Dealers are pushing Supreme Court Justice William O. Douglas. Neither of these men is particularly likely to be tapped, but their names are indicative of the type of man more and more people are demanding—somebody tough.

One distinct possibility is that Nelson will retain the titular leadership, supported by a hard-hitting deputy.

Some Heads May Come Off

Mounting criticism is having its effect on Nelson. He realizes he must act soon, is exploring the possibilities of a thoroughgoing housecleaning in which heads would roll. There hasn't been a real guillotine session, despite changes at the top, since the days of the National Defense Advisory Committee.

And, once more, the government administrative experts are poring over the WPB organization chart, trying to lick the still unsolved problem of insuring that top policy decisions get put into effect at the operating level.

Meanwhile, the time available to Nelson in which to regain public confidence

is shortening. The Administration's intention to defer fundamental decisions until after Nov. 3 may change as increasing public resentment shows signs of affecting the election returns.

Latitude in Renegotiation

It's the intention of the War Department's Price Adjustment Board to review all contracts, not merely those which look suspicious, with an eye to eliminating excessive profits. It expects to reach all contracts within the contractor's fiscal year. Contractors will find that those who come in voluntarily with an adjustment of their prices will be treated more liberally than those who wait for the Army's routine to pick them up.

On two very sore points with the contractors, the Army board's policy, as outlined this week (page 14), is conciliatory:

(1) Where strict adherence to the principle of considering only profits before taxes would leave practically nothing to a company after taxes, price adjustment officers may take this situation into consideration. Contractors

shouldn't put "too much weight" on such latitude. It will be invoked only in extreme cases.

(2) When the price adjustment board finds that a contractor has not realized excessive profits, he will be given official notice that the case is closed, binding the War Department against reopening it at any future time.

Help for Big City Banks

New York and Chicago bankers breathed easier this week after the Federal Reserve Board finally cut their reserve requirements. The board has been considering a cut in reserves for some time, but it wanted to wait until the last minute (BW—Aug. 15'42, p94). Faced with heavy Treasury calls and rapidly shrinking reserve balances, metropolitan bankers wondered if the last minute would come soon enough to save them an uncomfortable squeeze.

Effective this week, requirements for central reserve city (Chicago and New York) banks drop from 26% to 24%. As a result, excess reserves increase by about \$340,000,000 in New York, and by \$70,000,000 in Chicago.

War financing throws a heavy load on the money market banks, and drains to the interior have cut deep into their reserves. Just before the reduction took effect, New York banks had only about \$130,000,000 in excess reserves. At the beginning of the year they had more than \$1,000,000,000. Chicago, before the cut, was on the ragged edge of nothing.

• **Tight Hand on Reins**—Although Federal Reserve Authorities are determined to keep the money markets easy, they are in no hurry to flood the system with excess reserves. Under present law they can cut requirements for metropolitan banks as low as 13%. The fact that they began with only a 2% reduction shows that they intend to feed reserves out slowly to the financial centers, keeping a tight grip on the rest of the system.

Defining Wage Policy

Employers were forcefully reminded this week that the National War Labor Board's pay stabilization formula takes account of more than the cost of living. In approving a 7½¢-an-hour wage increase for 61,000 textile workers, the board made living costs a secondary consideration. In its own words, approved by NWLB's four employer members as well as public and labor representatives, textiles rates had to come up in order "to narrow inequali-



Insiders report that F.D.R. has had intermediaries sound out Herbert Hoover on accepting a war assignment. They opine, with equal assurance, that Hoover will decline. Hoover's name as a mining engineer is linked, in this connection, with a proposal, attributed to Donald Nelson, that a committee of eminent men, similar to the Baruch rubber committee, be appointed to survey the raw materials situation which is bringing down criticism on WPB.

TRAP THE NOISE DEMONS



...with ceilings of
Armstrong's Cushiontone

IT'S BAD BUSINESS to let your office employees go on fighting noise demons. Work slows down and mistakes pile up as long as these costly nerve janglers are on the loose. But it's easy to trap them with ceilings of Armstrong's Cushiontone—the new material that puts efficient noise-quieting within the reach of modest budgets.

The 484 sound-absorbing holes in each square foot of Armstrong's Cushiontone literally trap disturbing office din. Sound engineers have found that this material absorbs up to 75% of the sound that strikes its surface. When it is installed the noise level in any office is remarkably reduced. You don't need fine instruments to show the difference that it makes. The effect is positive and pronounced.

Armstrong's Cushiontone is factory-painted, ready to apply. Installation is quick and easy, without undue interruption to business. Maintenance is at a minimum, for Cushiontone is easily cleaned, and it can be repainted whenever necessary without affecting its acoustical efficiency in the slightest. Its ivory-colored surface reflects light unusually well—helps to improve general illumination.

WRITE FOR THE FACTS—Our new booklet gives the whole story of Armstrong's Cushiontone. We should like to send you a copy. Just drop a note today to Armstrong Cork Company, Building Materials Division, 1217 State Street, Lancaster, Pennsylvania.

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Armstrong's Linoleum



Makers of
and Asphalt Tile

WASHINGTON BULLETIN (Continued)

ties with wages in other industries in the same areas."

In the Aluminum Company of America case (page 82), however, which was decided at the same time, the board found no "substandard" wages. And because aluminum workers had received increases enough to compensate for the 15% rise in living costs between January, 1941 and May, 1942, NWLB turned down their demand for more money.

Critical Bond Test

Decisive, perhaps, in advancing or postponing the date when voluntary war bond buying will become compulsory savings, the unprecedented industry-wide bond sales drive which opens next week in 167 rubber plants in 21 states is a barometer for the Treasury. Morgenthau's men have put a lot of time and effort into setting up what is officially called the "Labor-Management War Bond Drive in Rubber and Allied Industries." It will run from Aug. 24 to Sept. 14.

The bond campaign is patterned along lines of the War Production Drive's labor-management committees in that it represents a joint undertaking by the industry and C.I.O.'s United Rubber Workers to get more than 125,000 rubber company employees to authorize a checkoff of 10% of their wages for bond purchases. Union committeemen and company supervisors will, during the three week period, try to reach every rubber worker and get him to authorize the check-off. New employees will be asked, as they are hired at the employment office, to sign a bond check-off card.

Treasury experts think that if they can get close to 100% in rubber, they can duplicate the performance in other industries and thus keep bond buying non-compulsory for a while longer.

Movie Plan Rejected

As expected (BW-Jul.25'42,p7), the Department of Justice, in the person of Thurman Arnold, is not going to have any truck with the motion picture industry's "unity plan," backed by the Big Five producer-distributors and the majority of independent exhibitors as the successor to the ill-starred consent decree. This week Arnold gave vent to a blast damning the unity plan because it still smacks of the D. of J.'s pet hate, blind-booking. Though he hinted at no alternative plan which might be acceptable, Arnold warned that any attempt by producers and exhibitors to adopt a uniform method of selling might bring down the department's wrath.

Broadcasters Ready to Curtail

To stave off government pooling and distribution of radio apparatus, the broadcasting industry is drafting voluntary measures for curtailing operation. First step will be a midnight signoff, except possibly in 'round-the-clock war plant centers. Closing down when paid programs are light will benefit stations by cutting operating costs as well as conserving equipment.

Broadcasters are preparing, when equipment shortages get worse, for rotation of time on the air by stations located in the same city and for some reduction in power use by transmitters. Stations are worried that advertisers will take power cut as a pretext for claiming rate reduction. Stations contend the loss is only in fidelity, not in coverage.

Washington's Black Market

Will pay \$125 to \$200 mo. ME. 3900, Ext. 332.	ft. G.
\$25.00 REWARD!	
For information leading to rental of desirable one or two bedroom apartment; \$70 maximum. Call Lieut. Jameson. RE. 7400. Ext. 3756.	ba bo ver Ju
\$50 WAR BOND REWARD	
For information leading to our renting unfurnished 2-bedroom apartment, NW, by Sept. 12; up to \$150; couple; references. Please call DU. 3025.	
3 COLORED GIRLS desire two rooms, in kitchen and bath apt. furnished in N.W.	to

Washington Post, Aug. 18, 1942

Washington is a rent-controlled city.

Planning Postwar Works

Federal efforts to prod local governments into lining up public works projects now to be undertaken after the war have collapsed for lack of funds. Federal Works Agency and the National Resources Planning Board have been using WPA funds to help municipalities do the preliminary engineering, but this was stopped by the small WPA appropriation and tighter restrictions on employment of nonrelief personnel. The smartest lawyers were unable to figure out a pretext for using Lanham Act defense public work funds for the purpose.

• **Next Year**—Senator Wagner's bill authorizing such advance planning, rejected by Congress this Spring, will come up again, backed by a demonstration that local governments, unaided, are incapable of accumulating the backlog of projects needed for a postwar PWA.

Prices on Frozen Stocks

Now that WPB's Regulation 13 has released for sale stocks of materials frozen in manufacturers' hands by production limitation orders, OPA has issued, in Price Regulation 204, a formula to guide the pricing of such sales:

(1) If a specific dollar-and-cents ceiling governs the material in question this ceiling shall be used.

(2) If not, the ceiling price now applicable to sales by the original supplier of the goods shall apply.

(3) If the original supplier is no longer in the business, the price of the thawed-out goods shall not exceed the original cost to the seller.

(4) If the goods are sold back to the original supplier or to another producer of the material involved, no ceiling is provided.

Priorities and Trade Practices

The number of WPB conservation orders affecting production of civilian consumer goods has dropped off sharply in recent weeks. One reason is a flat ruling by WPB's legal division that no orders must be issued that smack of trade practice regulation.

Because of later antitrust implications and previous unfortunate experiences, WPB lawyers have been bending over backwards to prevent war emergency orders from resembling the old NRA codes. They have ruled that WPB branches must prove that all proposed conservation orders result in a real saving of material, labor, or transportation for the benefit of the war effort, and that such savings must be got beyond the mere regulation of uneconomic industry trade practices.

• **How It Works**—As an example, curtailment of cosmetic shades and odors, under consideration prior to issuance of the industry limitation order, was dropped as coming too close to trade practice regulation. For similar reasons, consideration of industry-wide conservation orders for proprietary and pharmaceutical drugs has been dropped.

OPA and Utility Rates

Voluntary withdrawal by a Maine electric utility of a rate hike, proposed to offset anticipated federal taxes (BW-Jul.4'42,p8), means that the Office of Price Administration gets the action it wants but doesn't establish its authority in such matters. The OPA intended to force the issue in order to set up the principles that it might intervene in state rate proceedings and that war taxes should not be treated as operating expenses.

The voluntary withdrawal removed the necessity (even the possibility) of carrying through. That's convenient for OPA because, with plenty of troubles already, the price fixers are glad enough to have the case collapse. Yet OPA's Harry R. Booth, in charge of utility rate



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WASHINGTON BULLETIN (Continued)

matters, realizes the issues eventually must be faced squarely.

Where Power Dams Stand

The Reclamation Bureau has been slogging along with its hydroelectric projects on low priority ratings, not really knowing which it would be allowed to complete. Now it has finally been told by WPB where it stands.

Two recently started dams—Anderson Ranch on the Boise River in Idaho and Davis on the Colorado River between Nevada and Arizona—will get no scarce materials. But it gets double-A priority ratings for completion of the Shasta and Keswick dams of California's Central Valley project and on installation of more generators and powerhouse construction at Boulder, Parker, Grand Coulee, and Green Mountain.

• **Inflation**—Fact that new high AA ratings were created last month only for war-important contracts scheduled for completion before next June didn't deter WPB from giving an AA-4 to Central Valley jobs to be completed in 1944.

Alien Property Policy

Alien Property Custodian Leo T. Crowley is steering a middle course in his handling of alien-owned patents.

He has drafted a policy which won't satisfy the patent reformers (Arnold, Bone, LaFollette, et al), who are urging him simply to abolish patent rights in the alien inventions. Neither will it encourage those industries now drooling over the prospect of picking up some juicy properties cheap, as in the last war.

On patents not in large scale use here, Crowley will grant licenses to any responsible firm. The licenses will run for the life of the patent, thus encouraging investment in exploitation of the patent. At the same time, if present licensees under a patent are producing all that's needed, their rights will be protected, and no other licenses will be granted.

Chills and Fever

Atabrine "synthetic quinine" patents are 50% controlled by the Alien Property Custodian. But Crowley, convinced that Merck-Winthrop production is sufficient (BW—Jul.15'42,p45), is not exercising any rights over the patent.

This situation will get a going-over if Republican Congressman Gearhart is successful in his effort to stir up an investigation. In a few days Gearhart will introduce a resolution calling for an investigation of the whole quinine and synthetic quinine situation. He will also introduce a bill providing for a program of quinine production in South America.

Conversion for Oil Industry

Ickes' staff of experts in the Office of Petroleum Coordinator are showing some fancy tricks to Jesse Jones' financiers in the Defense Plant Corp.—and to the oil industry as well—in their current program of converting refineries to make petroleum war products.

DPC, charged with building plants for 100-octane aviation gasoline and synthetic rubber, started out on a long and costly program of constructing large new refineries from the ground up. But now the government accent is placed on conversion.

The pressing need for output led the Petroleum Coordinator to make a quick survey, and he now is putting into operation an industry-wide program to produce quantities of toluol, benzol, 100-octane ingredients, and other brand new petroleum chemicals, most of which the industry never heard of. Refiners who thought "conversion to war" was a slogan only for metal-fabricating industries are now converting their processes to these war products, pooling their business, trading equipment, and shipping impure "cuts" to nucleus plants for purification and further processing.

• **Consequences**—Results will be: production of rubber, 100-octane gas, and TNT far ahead of DPC's schedule; salvation of scores of small refineries threatened with shut-downs because of declining motor gasoline market; spread of new techniques throughout the refining industry, presaging a new postwar petroleum chemical industry.

Capital Gains (and Losses)

To remind Chile that it is one of our good neighbors, Washington is sending Arthur J. Altmeyer, Social Security Administrator, to Santiago next month to admire its national health program.

Because of the possibility of conflict with WPB and Labor Department wage stabilization efforts as well as with the military's contract renegotiation program, OPA has abandoned its scheme (BW—Jul.11'42,p5) to slap a price ceiling on all construction. It's working now on a ceiling for non-governmental building.

U. S. Steel Corp. has expressed its willingness to grant a 44¢-a-day wage increase, matching that ordered in Little Steel, but doesn't want it to be retroactive to Feb. 6. Hence, as predicted (BW—Aug.15'42,p5), Big Steel is appealing that issue as well as questions of the checkoff and maintenance of membership to the War Labor Board.

—Business Week's
Washington Bureau

FIGURES OF THE WEEK

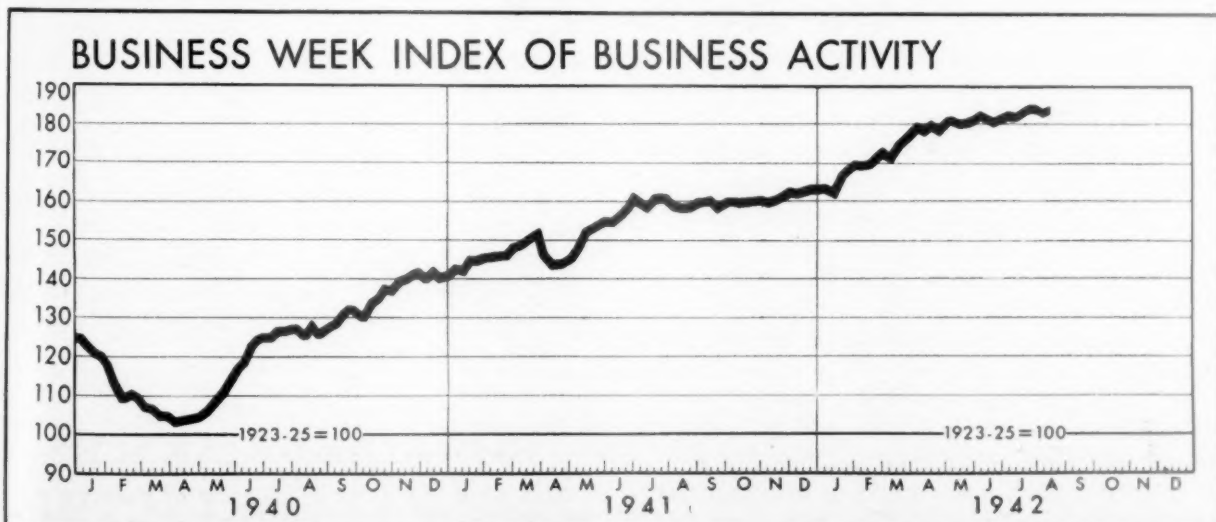
	\$ Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX (see chart below)	*184.7	†183.8	183.9	170.8	159.5
PRODUCTION					
Steel Ingot Operations (% of capacity)	97.2	96.5	98.0	96.2	96.2
Production of Automobiles and Trucks	19,215	19,240	17,870	29,830	45,550
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands) . . .	\$35,628	†\$32,189	\$39,239	\$25,648	\$24,101
Electric Power Output (million kilowatt-hours)	3,655	3,637	3,565	3,422	3,238
Crude Oil (daily average, 1,000 bbls.)	3,893	3,970	3,713	4,079	3,953
Bituminous Coal (daily average, 1,000 tons)	1,821	1,867	1,793	1,793	1,783
TRADE					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	79	81	79	84	86
All Other Carloadings (daily average, 1,000 cars)	62	63	64	47	60
Money in Circulation (Wednesday series, millions)	\$12,870	\$12,794	\$12,502	\$11,319	\$9,792
Department Store Sales (change from same week of preceding year)	-5%	-6%	+10%	+20%	+46%
Business Failures (Dun & Bradstreet, number)	174	160	167	210	230
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100)	230.9	230.2	231.4	228.1	210.8
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100) . .	153.2	153.6	154.8	153.4	143.9
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100) . .	183.8	183.5	182.0	180.2	152.7
†Finished Steel Composite (Steel, ton)	\$56.73	\$56.73	\$56.73	\$56.73	\$56.73
†Scrap Steel Composite (Iron Age, ton)	\$19.17	\$19.17	\$19.17	\$19.17	\$19.17
†Copper (electrolytic, Connecticut Valley, lb.)	12.000e	12.000e	12.000e	12.000e	12.000e
Wheat (No. 2, hard winter, Kansas City, bu.)	\$1.12	\$1.10	\$1.07	\$1.22	\$1.07
†Sugar (raw, delivered New York, lb.)	3.74e	3.74e	3.74e	3.74e	3.50e
Cotton (middling, ten designated markets, lb.)	18.52e	18.48e	19.34e	19.34e	15.86e
†Wool Tops (New York, lb.)	\$1.212	\$1.226	\$1.250	\$1.296	\$1.259
†Rubber (ribbed smoked sheets, New York, lb.)	22.50e	22.50e	22.50e	22.50e	22.50e
FINANCE					
90 Stocks, Price Index (Standard & Poor's Corp.)	68.6	67.4	69.5	68.2	80.3
Medium Grade Corporate Bond Yield (30 Baa issues, Moody's)	4.28%	4.28%	4.30%	4.30%	4.29%
High Grade Corporate Bond Yield (30 Aaa issues, Moody's)	2.81%	2.81%	2.83%	2.84%	2.75%
U. S. Bond Yield (average of all taxable issues due or callable after twelve years) .	2.35%	2.35%	2.34%	2.40%	2.14%
U. S. Treasury 3-to-5-year Note Yield (taxable)	1.25%	1.24%	1.20%	0.93%	0.64%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average)	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate)	½-¾%	½-¾%	½-¾%	½%	½%
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks	26,526	26,138	25,822	24,731	24,245
Total Loans and Investments, reporting member banks	33,603	33,509	33,338	30,452	28,874
Commercial and Agricultural Loans, reporting member banks	6,425	6,408	6,481	6,862	6,146
Securities Loans, reporting member banks	939	957	1,023	854	897
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks . .	19,509	19,441	19,110	15,433	14,559
Other Securities Held, reporting member banks	3,452	3,419	3,382	3,697	3,652
Excess Reserves, all member banks (Wednesday series)	2,380	2,250	2,070	3,357	5,027
Total Federal Reserve Credit Outstanding (Wednesday series)	3,512	3,446	3,227	2,331	2,247

* Preliminary, week ended August 15th.

† Revised.

‡ Ceiling fixed by government.

§ Date for "Latest Week" on each series on request.





Dear Jim:

"The old man hasn't got much time to be sentimental these days. But whenever I look at that picture you had taken when you were home on leave the last time, I sort of get a lump in my throat.

"It reminds me of the time when you were eight years old and getting over scarlet fever. I'd promised you anything you wanted, and you asked for a soldier suit. Gosh, it was hard to turn you down, but I couldn't tell you then it was because your Mother was against it. She didn't want you to even play soldier.

"Neither did I, son—but now that you've finally got your soldier suit, I couldn't feel any prouder if I was in it myself! Your Mother feels the same way about it.

"I wish I was with you, Jimmy—and don't let anybody kid you, I'm not too old to take on a few of those bums myself. But—well, I don't know how to express it, but son, I *am* with you. If you could see the amount of stuff

this plant's turning out, you wouldn't have any worry about us here at home backing you up!"

☆ ☆ ☆

For us at home, the job is to increase production. One way to do it is by the proper use of light wherever eyes are at work. Give a man good light, so he can see without squinting or strain, and results prove he'll do more and better work, spoil fewer pieces, and feel better when the day's over.

It's General Electric's job to supply the lamps that keep industry going. It is also General Electric's job to have trained men ready to help *every* war plant get the last bit of light from every bit of current. To leave nothing undone that might mean another plane or tank or gun for Jimmy . . . wherever he is!

G-E MAZDA LAMPS
GENERAL  ELECTRIC

THE OUTLOOK

How Much Profit Incentive?

Business, pinched between contract renegotiation and excess profits taxes, believes output would rise if cushion were deeper—and that WPB's priorities job would be easier, too.

The old squeeze on profits is highlighted today as rarely before. Renegotiation of war contracts snags income before taxes; record taxation will bite mercilessly into what's left. Yet, if you're one to look for the silver lining, it might be worse.

Not that there's much hope of effecting major changes in the system of contract renegotiation. That's jelled, more or less, now that the Army, Navy, and Maritime Commission have agreed to an official joint formula, however vague (page 14).

Alternative: Profit Limits

Congress might, of course, revert to the idea of an over-all limitation on war profits at some such level as 6%, thus wiping out renegotiation. But, even though that would eliminate the prospect of getting socked going and coming—by renegotiation first and income and excess profits taxes after—the flat limitation on profits is no shining goal for industry.

Main hope at the moment is that the Senate will revise downward the drastic excess profits levies embodied in the makeshift tax bill passed by the House. Either by postwar rebate or by a direct slash (page 28), the Senate Finance committee is likely to cut this levy to a net effective rate of 80% rather than the flat 90% (no postwar rebate) adopted in the House. And equally important, the Senate committee seems to lean toward some relief for companies that have debts that should be paid off now while incomes are fat and for those that have effective plans for preparing capital structures against a postwar relapse.

More Incentive Needed

Even if the best comes to pass, however, there's the inescapable fact that some incentive aside from pure patriotism is needed to bring about the back-breaking effort that this war demands. Current shortages of various raw materials dramatize that fact.

The case of any one of several metals would serve to demonstrate the point. Copper happens to be an easy one. We're mining more copper than we ever used in any year in our prewar history. Add on imports, and we're probably feeding our industrial machine double

the amount it needed even in 1929. Yet that isn't enough, and expert opinion is that more could be squeezed from domestic mines if the incentive were strong enough.

It's quite true that bonuses will be paid to the company mining more of the red metal than its quota. The idea is to get out the low-grade ore as well as the high-grade. But if the quota for the big companies is set so high that every ton of over-quota ore comes out at a loss even with the bonus, then there's an inevitable tendency to go right on mining better grades of dirt and to forget extra payment. That's exactly what mining experts will tell you is happening.

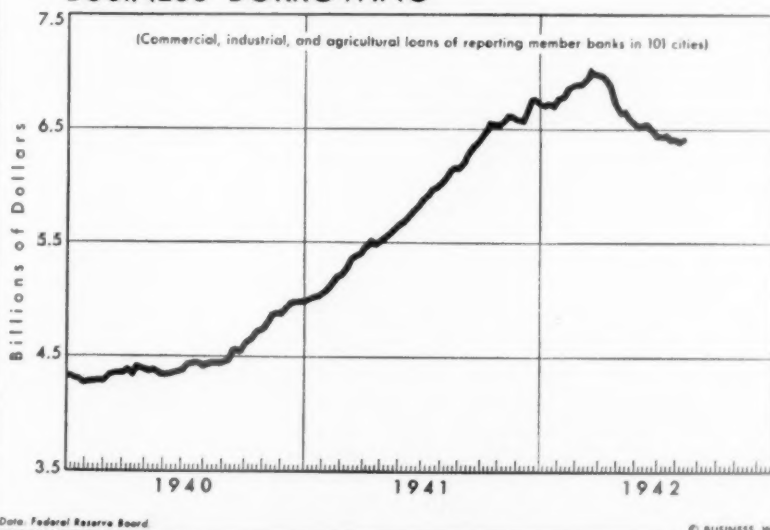
Anything that distracts the minds of

the raw material producers from the task in hand adds to the burden of the War Production Board in trying to match supplies to needs. That job is tough enough now, will be tougher in the final quarter of the year when WPB enters what is practically its make-or-break phase.

Right now the effort is to polish up the operations of the Production Requirements Plan (page 19). Most important innovation is WPB's intention to put inspectors right in key plants to see that parts and subassemblies arrive where they are needed when they are needed. This goes a significant step beyond simply allocating materials and parts under PRP and then hoping that deliveries aren't too large at one point and skimpy at another (BW—Aug. 8'42, p15).

Breaking the bottleneck in steel seems to call for even more heroic measures. Determination of WPB to extend its quota plan to production of many critical steel products besides the plates now so governed (page 18) indicates just how deeply authorities feel they have to go.

IN THE OUTLOOK: BUSINESS BORROWING



Business loans of reporting member banks have continued to fall off in recent weeks. Due to curtailment of civilian production, some manufacturers and many hard-goods dealers have been paying off inventory loans, and finance companies are using less bank money. But the rate of the loan decline has been moderating. Moreover, announcement that General Motors is arranging a \$500,000,000 open credit,

similar to Chrysler's \$100,000,000 line (BW—Feb. 28'42, p71), raises the distinct possibility of a reversal in the loan trend. Not that big open lines of bank credit create loans automatically, for the lines have to be drawn upon first; but taxes are biting into the working capital so essential to support arms output. And bank borrowing costs no more than the 2½% the Army and Navy charge on advances.

Rules for Renegotiation

Army, Navy, and Maritime Commission join in statement of principles to be followed in revising war contracts to eliminate excessive profits. N.A.M. and C. of C. call for repeal of law.

Rules for the renegotiation of war contracts were laid down this week. The War and Navy Departments and the Maritime Commission brought forth a joint statement of policies and procedures that will be followed in an effort to prevent or to recapture excessive profits.

• **Contractors Protest**—At the same time, the whole idea of limiting profit by negotiation was under the fire of war contractors. Before the War-Navy-Maritime pronouncement saw the light of day, the National Assn. of Manufacturers and the U. S. Chamber of Commerce had recommended to the Senate Finance Committee that the law providing for renegotiation—enacted last April—be repealed.

The nub of the contractors' complaint is that renegotiation holds their profits down to what the Army, Navy and Maritime Commission regard as a reasonable level without reference to the slice that is taken later by income and excess profits taxes (BW—Aug. 15 '42, p14).

• **Chamber's Position**—The U. S. Chamber of Commerce contended, in calling for repeal, that renegotiation was never intended as a permanent method of limiting contract profits, that it was hurriedly adopted as a stopgap to clothe with statutory authority an informal procedure for voluntary renegotiation in use by the Army and Navy. The reason for adopting the "stopgap" was to head off enactment by Congress of a statutory profit limit in terms of a percentage of contract cost or price.

The chamber proposed to remove the issue by recommending taxes which it claims won't leave any excessive profits. It further proposes that, if Congress is dubious, a statutory provision for renegotiation should be adopted for general application, to be applied only after all tax liabilities are provided for.

• **George's Suggestion**—Before conclusion of the Senate hearings on the tax bill, Chairman George reiterated his belief that an over-all profit limit is preferable to profit control by renegotiation of contracts. He suggested instead that a 6% profit ceiling, after deduction of taxes, be applied at the end of the war on the total of a contractor's war business, his profit to be computed by the same methods now used in computing tax liability.

The senator maintained that some over-all limitation is essential to "protect the government and people against unconscionable profits," but stated that

the hearings before the Senate committee have clearly demonstrated that the high rates in the pending tax bill (page 28) will make additional provisions necessary to preserve the industrial plants and keep taxes at levels which will permit these plants to contribute to the war effort and carry on after the war.

• **Law Held Arbitrary**—In addition to the fact that their profits are mowed down twice—by renegotiation and by taxes—contractors argue that the renegotiation law is arbitrary, that it delegates uncontrolled discretion to administration officials to refix the price of any contract or subcontract at any time or any number of times, and that various contracting offices are imposing different requirements.

That the price adjustment boards of the Army, Navy, and Maritime Commission succeeded in formulating a statement, under the bombardment to which they have been subjected, may be rather remarkable. Probably because of the conditions under which it was written and rewritten to meet the suggestions and objections of numerous wary officials, the document is loosely composed, frequently repetitive.

The joint statement sets forth that large profits are not justifiable in wartime, but the right of industry to a reasonable profit is recognized as fundamental. Assurance is given that "business will be assisted, insofar as practicable, to emerge from the war in condition to resume peacetime operations quickly and vigorously."

• **Over-All Profit Is Basis**—A company's over-all profit, before taxes, on its war business, not its individual contracts, is taken as the primary basis of renegotiation. Agreement by the contractor to accept a lowered operating profit then is translated into the underlying contracts. The agreements usually cover fiscal periods, and so require estimates on the unfulfilled portions of contracts.

Renegotiation agreements are allowed to stand, however, unless actual figures vary greatly from the estimates. If it appears on final review that increased profits have resulted from extra effort by the contractor to reduce costs or increase production, consideration will be given to this factor. The inference is that the contractor will be allowed a larger profit than permitted by the original agreement.

• **No Fixed Formula**—The joint statement sets no fixed, inflexible formula for determining a reasonable profit. It contends that a profit of a given per

cent may be too high in one situation, too low in another. The permissible margin is usually less on large volume than it is on small volume, but each case presents individual problems. Variable factors are inherent in what constitutes a reasonable profit. Among those mentioned are the risks assumed, relative efficiency, financial record, extent of conversion to war work, performance in the war effort.

Contractors who have become financially over-extended due to all-out conversion to war work are assured that their situation will be taken into consideration.

• **Who Negotiates**—When a company has contracts with more than one member of the Army-Navy-Maritime Commission trio, renegotiation will be conducted by the agency which is conceded to have the dominant interest.

The Navy and Maritime Commission handle all their cases in Washington. The Army is decentralizing its operations. Price adjustment sections are being set up in the field procurement offices of ordnance, quartermaster, and other supply services. These field offices will handle renegotiation with the companies assigned to them by the central board in Washington, and their findings and recommendations will be reviewed by the central board.

• **Army Board's Guide**—For the guidance of the field offices and contractors, the Army board issued, coincident with the joint three-agency statement, a more detailed statement of principles and procedure to be followed in renegotiation.

Contracting officers retain authority to renegotiate individual fixed-price and fixed-fee contracts regardless of later renegotiation to reduce a contractor's over-all profits. Contractors are encouraged to adjust prices in individual contracts as this may avoid the need of over-all adjustment later.

• **Scope of the Law**—Under the law of Apr. 28, 1942, all prime contracts over \$100,000 must include a renegotiation clause and the prime contractors are required to include a similar clause in the "first tier" of subcontracts. The Army, however, will try to reach any company that makes excessive profits on products or materials flowing into war production as the law does not confine renegotiation to contracts or subcontracts which include the stipulation for renegotiation.

The existence of excessive profits is not taken as an indication that a contractor has taken undue advantage of the government, or that contracting officers failed to use their best judgment at the outset. Many contractors are running into quantities of war equipment never before dreamed of.

• **"Ultimate Test"**—"The primary purpose of the renegotiation," says the Army board's statement, "is to arrive at the prices which would have been agreed

upon when the contracts were made if the facts and factors now known had been known at that time. . . . and eliminate excessive profits at the source. The ultimate test is what would have been a fair profit before federal income and excess profits taxes."

The Army board maintains that it is for Congress to determine how much of that profit should be taxed, but doesn't dismiss increases or proposed increases in taxes from consideration entirely.

• **As the Board Sees It**—"To renegotiate on the basis of allowing a company a fair profit after taxes would be tantamount to returning to the company part of what Congress has decided should be its contribution to the war effort," the Army board says.

"The effect of the excess profits tax on companies which are financially extended and have little or no tax base is frequently so severe, however, that strict adherence to the principle of considering only profits before taxes would leave practically nothing for the company, or even result in financial embarrassment, and under these circumstances the profit after taxes is a factor which may be taken into consideration in order not to impair its incentive to production."

• **Current-Year Basis**—The Army board's practice is to confine renegotiation, in most instances, to the determination of excessive profits for the fiscal year of the company in which the renegotiation takes place. Companies will not be required to renegotiate for any fiscal year ending on or before Dec. 31, 1941, except with the board's approval on each occasion.

In fact-finding on profits, data will be obtained from other government agencies, by personal inquiry or investigation. If questionnaires are used they will be of a uniform type.

• **What They'll Look For**—Price adjustment section offices are instructed to analyze costs allocable to a company's war production with a view to excluding improper or excessive charges such as excessive salaries, bonuses, commissions; unreasonable maintenance and depreciation charges; improper amortization of war facilities or write ups of property; unreasonable charges for research, development, and experimental work; and unallowable advertising expenses.

They are instructed to consider the propriety and amount of the reserves and extraordinary charges to income. And they are told to review the estimates of prospective sales and costs in the light of information obtained from the department in Washington and based on experience with other companies.

• **Guiding Principles**—The price adjustment section offices are to be guided, in general, by the following principles established by the central board:

In determining a company's reasonable

margin of profit, more reliance should be placed on ratio of profit to sales or to adjusted costs than to its net worth at the beginning of the year. Net worth should be used only as a check.

Consideration should be given to the prewar profits of the company and the industry, especially where the war products are much like prewar products, but it cannot be assumed that a company requires as great a profit margin under war conditions as under normal competitive conditions.

The percentage allowed to other companies making similar products or operating under similar conditions should be considered.

Volume of sales is a factor, the allowable percentage being reduced on a graduated scale as volume increases.

Ratio of labor and overhead to materials included in the adjusted costs should be considered, since a company performing its own contracts requires a greater margin of protection than one which subcontracts most of the work. And a company engaged in a complicated manufacturing operation is entitled to more profit than one engaged in a comparatively simple job.

Consideration also may be given to the fact that a company has voluntarily made available its patent rights useful to war production.

The margin of profit so determined should be adjusted up or down to reflect a company's performance, in comparison with that of others, with respect to quality of production, rate of delivery and turnover, inventive contribution, cooperation with other manufacturers, economy in use of raw materials, and efficiency in reducing costs.

The profit margin should be adjusted upward for risks assumed such as increases in cost of materials, imminent wage increases, inexperience in new types of pro-

duction, complexity of manufacturing technique, and delays from inability to obtain raw materials.

Then, in the case of a company with a substantial capital devoted to war production, the ratio of profit so determined to net worth at the beginning of the year should be used as a check to determine whether the company is making a fair return on its investment. Net worth should be analyzed to determine how much is accumulated profit from war business.

No percentages or range of percentages are prescribed or even recommended for use in determining excessive profits. Price adjustment section offices are instructed to arrive at the figure in each case by discussion with the contractor's representatives.

Cost-Plus Criteria

Navy will use definitions of WPB's "green book," offspring of TD 5000, but Army will not be bound by guide.

After this month, the cost-plus contracts awarded by the Army and the Navy will no longer be entirely uniform in their definition of the term "cost."

As a matter of fact, they never were completely parallel. But to the extent that both branches of the armed services often borrowed phrases from a document labeled "Treasury Decision 5000" (called TD 5000 for short), there was considerable similarity. Now the Navy, instead of quoting from TD 5000, will

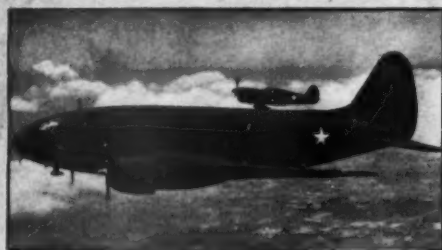


THE ARMY MOVES IN

Any doubts that NWLB meant business were resolved when the Navy, with soldiers acting as "policemen"

(above), took over the strike-bound plant in Bayonne (N. J.) of General Cable Corp. Similar action involved the S. A. Woods Machine Co. plant in Boston, Mass. (page 75).

United States Has the Cargo Plane



CURTISS COMMANDO C-46



LOCKHEED CONSTELLATION



DOUGLAS C-54



VOUGHT-SIKORSKY EXCALIBUR



BOEING STRATOLINER



DOUGLAS DC-3

quote from another book known as "Explanation of Principles for Determination of Costs under Government Contracts," popularly known as "green book" (BW - June 13 '42, p. 17). The Army, however, elects not to be bound by the text of either of these documents with reference to the determination of allowable costs.

● **Army's Attitude**—Actually, any divergence in future terminology sounds worse on paper than it will be in daily practice. It's not the legal language that counts so much as the interpretation thereof.

It is significant, however, that, whereas the Navy is giving the "green book" at least some color of authority the Army prefers complete freedom in writing its contracts.

If everybody used the same accounting system, spoke the same fiscal language, and could turn out war material as fast as needed, there wouldn't be any quibble over what "cost" is. But over a period of years, the necessity for a formula to be used as a guide became more pressing. Finally, in 1940, TD 5000 appeared as a clue to the administration of the Vinson-Trammell profits limitation act. Although the act itself is now defunct, TD 5000 continues to be used.

● **WPB's Contribution**—Trouble with it, however, is its scholarly language. So last year, when more and more small war contractors came into the picture, WPB took pity and decided to write something in simple English. The result was the "green book."

Since the "green book" was the offspring of TD 5000, there is a family

resemblance between the two. In fact, the major portions of the one are nothing more than a rewrite of the other. However, in a couple of instances the "green book" has an implication of being more specific than TD 5000, and in other instances the reverse proves to be true.

● **Points for Divergence**—For instance, TD 5000 says a lot more about the handling of subcontracts than the "green book" does.

For another thing, TD 5000 bans excessive compensation by simply saying that "unreasonable payments . . . shall not be included in the cost of performing a contract or subcontract." But the "green book," instead of letting it go at that, cites four "examples": annual payments in excess of \$25,000 to any individual; unreasonable salary increases since June 30, 1940; bonuses based on a percentage of profits; and payment of royalties to officers or employees.

For a third thing, TD 5000 makes no direct mention of advertising. Here again the "green book" is more specific, saying that advertising is not an admissible cost except "certain kinds of advertising of an industrial or institutional character, placed in trade or technical journals, not primarily with the object of selling particular products but essentially for the purpose of offering financial support to such trade or technical journals, because they are of value for the dissemination of . . . information."

● **Confusion to Be Expected**—That there will be some confusion over the status of the "green book" henceforth is a foregone conclusion. This hubbub

will undoubtedly be heightened by the fact that the book's cover is stamped with the words "War Department" and "Navy Department." But the Army has made itself clear: The "green book" is a good general guide; but it has no official Army status, nor will the Army necessarily adopt its phraseology in its contracts. Where Army language parallels "green book" language, that'll simply be a case of convenience.

The Maritime Commission holds still another position. The clauses of its contracts are also strictly its own, but they're so close to the "green book" that divergence is noticeable only in small details.

Supplies by Air

Talk of giant new aircraft obscures fact that U.S. already has a dozen cargo carriers; most are in quantity production.

Henry J. Kaiser's plans for building in his shipyards cargo planes modeled on the 70-ton flying boat Mars (page 34) may bear fruit—perhaps even sooner than cold-eyed aviation experts now believe possible. But, in the meantime, the immediate supply problem must be solved with the less-ambitious cargo planes already in production.

● **Hitler's Head Start**—Washington knows now that Kaiser's program—or one of similar scope—should have got underway when aviation observers, returning from prewar Germany, reported

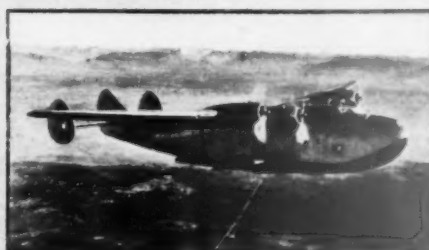
Some are New; Some Can Be Converted.



CONSOLIDATED B-24



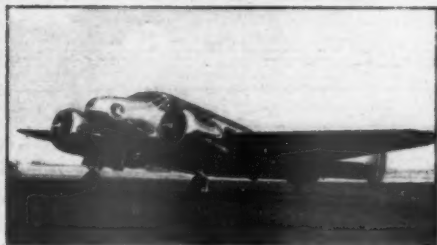
BOEING B-17E



BOEING CLIPPER—314



LOCKHEED LODESTAR



BEECHCRAFT 18A



BOEING 247D

that the Junkers plant at Dessau was turning out large numbers of transport planes without seats. Yet even two years ago Congress quibbled still over including a few cargo planes in the first aircraft procurement program.

Hindsight now dictates that a lot of cargo planes are needed in a hurry. They can be obtained in only one way—by selecting planes that are now being manufactured and producing them in quantity and, if grand strategy dictates, at the expense of combat craft. In the hue and cry over Kaiser's plans for Glenn L. Martin's Mars and in dreams of even mightier monsters, weighing 125 and 160 tons (BW—Jun. 6 '42, p18), the press and public have generally overlooked the fact that the United States already has cargo planes of large carrying capacity.

• **Two Primary Types**—These are of two basic types: (1) Transports or bombers which already have been redesigned for use as cargo carriers, hence can virtually be considered original cargo designs, and (2) planes designed only as transports or bombers, but quickly convertible to freight carrying.

Altogether, the U.S. has an even dozen models which are cargo carriers or potential cargo carriers:

• **Curtiss Commando C-46**—This is one of the two land planes completely redesigned for use as cargo carriers (other one is the Douglas C-54). A twin-engined 20-ton model, originally designed as a transport, the Commando was the first plane specifically created for Army freight service. Able to carry 50 fully equipped air infantrymen—or their equivalent in freight—the Commando is

already coming off the production lines at a very encouraging rate.

• **Lockheed Constellation**—This is the famous, mystery-shrouded "Tokio Express." A four-engine monoplane of typical Lockheed construction, the 80,000 pounder may emerge as either cargo plane or bomber.

• **Douglas C-54**—This is the Army's cargo version of the 52,000-lb., 40-passenger Douglas DC-4, which was on order for the domestic airlines before the war. The C-54 is in quantity production.

• **Consolidated B-24**—Stripped of armor, armament, and bombs, our two four-engined, 47,000-lb. long range bombers, the B-24 and the B-17, could carry heavy freight loads.

• **Boeing B-17E**—The Flying Fortress could turn in a freight performance parallel to that of the B-24. Even larger bombers of this type are being incorporated in our aircraft program, and they, too, could be easily converted.

• **Boeing Clipper-314**—Two flying boats, the Boeing Clipper and the Vought-Sikorsky Excalibur, are long-range potential freight carriers. Largest flying boats available when the war began, the 84,000-lb. Clippers have made hundreds of transoceanic trips for Pan American. They are already carrying troops—and very probably freight—in many parts of the world.

• **Vought-Sikorsky Excalibur**—A number of 57,000-lb. flying boats of the Vought-Sikorsky VS-44A class have already been built, and some are now in nonstop trans-Atlantic service for American Export Airlines.

• **Boeing Stratoliner**—Transports whose efficiency was proved by the domestic airlines, the Boeing Stratoliner and the familiar Douglas DC-3, are adaptable to freight carrying. The Army took over a large number of the 45,000-lb., four-engined Stratoliners from the airlines at the beginning of the war for passenger and cargo.

• **Douglas DC-3**—With the elimination of seats, and the addition of wide doors and a reinforced floor, this standard airline transport can be converted into a dependable load carrier. With a gross weight of 26,000 lb., the DC-3 has a cargo capacity of between 3,000 and 5,000 lb., depending on the length of flight and gas load.

• **Lockheed Lodestar**—Three relatively small ships, the Lodestar, the Beechcraft 18A, and the Boeing 247D, are being used for carrying small cargos. Built originally for higher station-to-station speeds in domestic transport operation, the 8,500-lb. Lodestar cut schedules for several airlines. Now it is being used to move freight in a hurry.

• **Beechcraft 18A**—Air Force officers often travel to their assignments in twin-engined, 7,500-lb. Beech Army Transports. Some are rigged up for aerial photography, but now cargo often has priority over these missions.

• **Boeing 247D**—This was one of the pioneer twin-engined passenger transports. When war came, these ships were commandeered by the armed forces to transport rush freight orders. The 247D has not been in production for some time, but jigs and tooling are available.



With steel shortages harassing industry, small steel mills took their troubles to the Senate's Truman committee. John Hosack (above right), president of Mahoning Valley Steel Co., testi-

fied (as did the head of another small company who appeared) that larger concerns in the industry "are forcing us out of business" by refusal to sell needed unfinished steel products.

Policing Steel

WPB prepares to impose quotas on scarce products and to improve PRP controls on flow of materials to relieve pinch.

New and determined efforts are in the works to ease the difficult steel situation. Convinced that the problem is as much one of distribution as of production, the War Production Board is prepared to attack the apparent shortage of steel at both ends of the line.

• **Better Scheduling**—In order to make sure that the mills produce required amounts of vital products, the WPB will undertake to schedule scarce products such as shell steel, structural steel, bars, and tubing as it now handles plates. This quota system involves review and approval of production schedules.

To see to it that steel gets to the assembly line when it is needed and in the form of parts required, there will be a drive to improve the operations of the Production Requirements Plan (page 19). This is designed to wash down inflated priority numbers, smoke out unnecessary inventory, and generally improve the flow of materials.

The fervent hope is to demonstrate that there actually is no shortage of steel for vital war work. Yet there are

so many conflicting views in the industry and in Washington that hopes aren't too high for a quick solution.

• **How It Looks on Paper**—When the Truman committee last week ended inconclusive hearings, the situation was left just as muddled as ever. About all you can put your fingers on are the latest WPB estimates on iron and steel capacity and demand:

(1) Capacity now stands at 90,000,000 tons of ingots, will rise to about 98,000,000 in 1943 as a result of expansion.

(2) Production this year will not be more than 88,000,000 tons of ingots and 64,000,000 tons of finished and semifinished products.

(3) Demand, if left free, would run double 1942's capacity to produce finished steel. Even deflated, demand still is believed to be 10,000,000 to 25,000,000 tons ahead of ability to deliver in 1942.

(4) About 16,000,000 tons of steel—perhaps three months' supply—are now in inventory, but some of this probably is not suited to war uses.

(5) Alloy steel output may be pushed as high as 12,000,000 tons this year and to 15,000,000 or more next year by thinning the mixtures, but it still will be inadequate.

• **Untraced Disappearance**—Compilations of statistics don't solve shortages, however. Reese H. Taylor, chief of WPB's Iron and Steel Branch, admitted at the Truman hearings that his

section doesn't know where 12,000,000 to 15,000,000 tons of steel are going each year.

"But," said Mr. Taylor, "in June 78% of total production went to Army, Navy, Maritime Commission, lend-lease, defense projects, Board of Economic Warfare, and warehouses. Of the remaining 22%, nearly one-sixth was for all other purposes enumerated previously. Thus it is obvious that non-essential consumption of steel, if any, was of insignificant magnitude in June."

• **Export Total Large**—Further bolstering the arguments of leaders in the industry that a main problem is distribution, government statisticians insist that the shortage can't be so real if we can afford to assign one-sixth of our steel output to lend-lease and other export channels while only one-third is going into direct war production.

Moreover, when it comes to analysis of actual steel requirements, there's always the fact that the United States can make more steel than all the plants of the European segment of the Axis. This output, according to the American Iron and Steel Institute, is 53,800,000 tons; Japan weighs in with 7,200,000.

That's about as far as the talk goes without getting into the realm of re-creation. The industry is cited for past sins of priority violation, although WPB says present compliance is good. Government departments are raked over the coals for sponsoring padded or non-essential programs. The Maritime Commission is accused of hogging plates. WPB gets it in the neck for letting a large measure of control over production and distribution slip away to the services and to various agencies. And the Army and Navy are accused of inadequate planning of procurement and plants.

• **Inaccurate Scheduling?**—The merchant ship program, because of its vast requirements, comes into range as a natural target. The President asked for 8,000,000 dead-weight tons this year, and predictions on performance run as high as 11,000,000. Meanwhile, the Maritime Commission is charged with ordering steel plates for hulls faster than it can get structural shapes for the skeletons—whether the pinch on shapes is attributable to bad planning or weaknesses in the priorities system.

Plate production rose from about 600,000 net tons last September to over 1,000,000 in July of this year. The Maritime Commission, over remonstrances of WPB, has scheduled one-fourth of the country's total heavy sheared plate capacity for cargo ships. These sheared plates, wide and thick, are in demand also for armor on tanks, planes, and battleships, and the supply is limited to about 400,000 tons a month. Also competing for them are new plants for 100 octane gasoline, aluminum, and synthetic rubber.

• **More Seams a Drawback**—Narrower,

thinner plates from the converted continuous strip mills are available and are suitable for the cargo ship program, steel experts argue. Their disadvantage lies in the fact that, because they are narrower, they require more seams and consequently more welding or riveting.

The Army comes in for a similar barrage over its planning. The war plant expansion program mostly for the Army, is estimated to run into \$20,000,000,000, to require 15,000,000 tons of steel. The WPB asked that 25% of this be deferred or abandoned to release steel for tanks and guns this year, but informed sources assert that the Army has refused to call a halt on even 10%. Some of these plants, critics agree, never will be able to get the raw materials to start operations.

• **Everybody Is Blamed**—There also are the familiar accusations that the Army and Navy have been specifying alloy steel for uses where heat-treated carbon steel would do the job, that they have been insisting on high alloy content where lower mixtures would fill the bill. There are charges that the Office of the Petroleum Coordinator has encouraged oil companies to accumulate pipe until they have on hand an estimated 1,200,000 tons or a full year's supply. The Department of Agriculture is accused of setting unnecessarily high goals for some fruits and vegetables, calling for more tin plate than should be spared. Finally the steel industry is blamed for holding down on certain types of steel because price ceilings

make them unattractive to purchasers.

In whatever way this may all be boiled down—whatever may be blamed for the fact that planning has not been adequate to get all assemblies and sub-assemblies alongside the production line when needed—there is the fact that there have been stoppages on tanks, guns, and planes due to badly coordinated scheduling if not to actual shortage. And there are stories, coming up every few days, like that about the Army requiring Ford to store more than 20,000 jeeps because the generals aren't ready to accept delivery—while others clamor for steel.

Scheduled Output

Material pinch puts new emphasis on flow rather than on priorities. WPB to send its men into plants for checkup.

The United States could fight—and maybe win—a major war without a workable system of material control. We don't have one now, and already we're outproducing any other nation on armaments.

• **The Ultimate Level**—What the effectiveness of our material control does determine is whether production will rise close to the theoretical peaks permitted by available manpower and natural resources or will flatten off at a substantially lower level.

The problem of maintaining tight control over the flow of materials is a critical one because the difference between the peak output that will be attained under incomplete planning and the peak theoretically possible may well prove to be the margin of victory. And the problem is a critical one now, because today the hitches in production (BW—Aug. 8 '42, p. 15) provide evidence that arms output is getting pretty close to the top level possible without better planning.

• **Job Becomes More Serious**—The management of priorities has become, in the last few months, an essentially different kind of job from what it used to be. Until the war industries became capable of absorbing all and more of the critical materials the details of the priority setup had little actual effect on production. It was only necessary to put red stickers on war business so that it would get handled ahead of civilian work.

The constant adjustments and revisions in technique that occurred were designed merely to reduce red tape or else to ease the strain on civilian life by putting necessary civilian activities ahead of luxuries.

• **Scheduling Is Paramount**—OPM information handbooks used to describe the priorities system as a means of putting first things first. Now, however, the very word priorities, has become a misnomer. Baruch's old description of priorities as the synchronizing force is much closer to the facts. The job is to see that goods get where they are wanted when they are wanted. The word, actually, is scheduling.

Source of much current confusion is the fact that the machinery to do the new job is growing up inside the framework of the old system.

• **The First Approach**—The Production Requirements Plan, use of which became compulsory in the quarter-year beginning July 1, is the first attempt to attack this new job. The basic idea of PRP is pretty simple—perhaps too simple. Every manufacturer using a significant quantity of material is required to submit quarterly an estimate of his material needs. He also submits information on his inventories, his past rates of material use, the products he makes, and the priority ratings on the orders he expects to fill. This is done on form PD-25-A.

Then WPB is supposed to add up the requirements, compare them with the available supplies, and scale down the requirements until the two match. The scaling down is supposed to be done by WPB's Requirements Committee in consultation with the armed forces and the WPB industry branch.

• **Hastily and Poorly Done**—Actually, in the third quarter, PRP has been just a bookkeeping fiction. Everybody went through the motions of filling out and processing PD-25-A's. But the practical



STEEL "MINING"

As motor buses took over street car routes during the past two decades, countless thousands of tons of steel rails were buried by layers of asphalt and concrete because it was cheaper to dispose of the rails that way. Now

the war's voracious appetite for steel has started a quest in scores of localities for almost forgotten trolley car tracks, such as the line which used to operate along the Bergen Pike, connecting Ft. Lee and Hackensack, N. J. WPA labor is being employed to do the salvaging.

effect was nil. Except that industry and WPB got some experience in the paper-work, PRP might just as well not have existed. Trouble was that PRP was made universal at the last moment. WPB didn't have the time or the staff to do the key job of balancing requirements against supply.

• **Ratings Determined**—Processing of applications was done on rule-of-thumb basis. High-rated requirement estimates were allowed to go through unchanged, lower-rated ones were cut by arbitrary percentages. Then priority ratings were attached to these approved requirements by taking the "rating pattern" of a firm's orders and applying it mechanically to its purchases. That is, if 10% of the orders on a firm's books were rated AA-3, then it was allowed to use the same rating on 10% of its purchases.

The way third quarter needs were handled, the total of rated requirements still exceeds the supply of materials, and consequently the inflation of priority ratings proceeds unabated.

• **More and More Double A's**—In the face of this situation, the armed services late last June adopted a desperate temporary expedient. They created a whole new range of superpriorities, the double-A ratings. Then they selected a budget of immediately needed armament which could be delivered in the next six months to a year, and applied the AA ratings to these contracts.

Human nature being what it is, even this rough expedient didn't work. The services promptly started applying the rating to contracts not included in the original budget. Within a few days after the AA ratings were created, copper foundries, for instance, found themselves with more AA-1 orders on their books than they could fill.

• **Now CPC Emerges**—This mixup has brought forward a variety of proposed alternatives to PRP. The most prominent of these is the so-called Contract Production Control—a scheme which is being pushed by the Army and Navy and has gained a little backing inside WPB. Support for it reflects three things: (1) a recognition of PRP's major weakness—the absence of any real check on manufacturers' estimates of their requirements; (2) premature despair over PRP's poor initial showing; (3) a desire by some Army and Navy officials to discredit WPB's handling of materials.

Basis of CPC is that an Army or Navy contractor, at the time of receiving a contract, would submit a statement of the materials he would need to carry it out. If the contractor purchased any semifabricated items or subassemblies he would obtain a similar bill of materials from his suppliers, who would likewise obtain material schedules from their sub-suppliers, and so on down the line.

• **Requirements Lumped**—All these separate material bills would be combined

by the prime contractor into a single document to be submitted to the procurement agency. Then permission would be granted to purchase that quantity of materials.

This scheme has progressed far enough so that a set of forms for handling it has been designed. And Nelson has approved a test of its mechanics in connection with contracts for walkie-talkie communication equipment.

• **PRP Has Inside Track**—CPC, however, is given little chance of ever displacing PRP as the major control mechanism, if for no other reason than that PRP got started first. It's taken months to make PRP roll, but it would certainly take just as long to prepare bills of material on all outstanding contracts. Most WPB officials are convinced that CPC is too complex to work. And CPC makes no provision for civilian and semi-military needs. Yet many of the features of CPC unquestionably will show up in

time in the gradual evolution of PRP.

The next stage in that evolution is the preparation of the fourth-quarter allotments. Fourth-quarter applications under PRP were due Aug. 10, and most of them were received. Processing of these applications, now under way, has one overriding objective—to scale down requirements to match supply. Priority officials are determined that after Oct. 1 the inflation of priority ratings shall stop.

• **More Careful Checkup**—The PD-25-A application forms have been turned over, as received, to the Bureau of the Census which is now engaged in tabulating the material requirements of each of some 150-odd industries. Subsequently, each WPB industry branch will be responsible for the handling of a group of these industries. (Manufacturers will be notified which branch is handling their applications.)

Once Census has done its job, the

OIL-CARRYING BOX CAR

This year Washington, D. C., has seen a parade of strange devices, but none has received the serious attention of rail experts, including Coordinator of Transportation Joseph Eastman (left), such as a demonstration steel freight car equipped with oil-carrying Mareng cells (BW—Aug. 15'42,p18). Invented by Reid Grey (right) of the Glenn L. Martin Co. and made from Thiokol by U. S. Rubber Co., the collapsible cells when nested in a box car enable it to carry 13,500 gal. of liquid which is almost one-third more than a standard tank car.



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requirement figures will be turned over to WPB's Requirements Committee, headed by J. S. Knowlson. The committee will also receive from the commodity branches estimates of the available supply of materials. It will then scale down the total requirements of each industry to the level which can be met, leaving it up to the industry branch to distribute this reduced budget among the individual firms.

• **Emergency Pool**—Before making these allotments, however, it will set aside a pool of materials to meet priority demands arising outside the PRP framework—lend-lease, construction of facilities, maintenance requirements of utilities and extractive industries—and to allow for adjustments.

It's recognized that this scaling down will in many cases be brutal and disruptive—a matter of swinging a cleaver in a dark room. Firms which have deliberately inflated their requirement estimates will profit (unless the responsible industry branch guesses what's up).

• **Trusting to Adjustments**—Some essential jobs are going to find themselves in trouble. WPB people, nevertheless, are trusting to a rapid procedure for making adjustments from the reserve pool and are going to bull the thing through. At least, they believe a priority rating will get you the stuff in the fourth quarter.

No one is under any illusions that this fourth-quarter procedure will provide the complete planned economy that's needed. No bookkeepers tricks can do more than clean up the obvious bad spots in requirement estimates unless the estimates themselves have some realistic basis.

• **A Two-Part Job**—Top WPB attention, therefore, is now directed behind the estimates that come in from industry. The job to be done falls into two parts. One is the scheduling of prime contracts by the procurement agencies. The other is the intelligent and economical scheduling of purchases by contractors and their suppliers.

The first is essentially a job for the procurement agencies themselves. What's called for is a little more respect for the concept of a delivery date. It's just as bad, in a managed economy, for a contractor to deliver ahead of his delivery date as to be late on delivery. Just as bad, that is, if the delivery date is to mean anything.

• **Coordination Desired**—Ideally, the delivery date on a war contract should be adjusted to synchronize with the dates on related contracts. Field guns for an armored division should be delivered at the same time as the tanks for that division.

Inevitably, in the past, delivery dates have usually represented simply the procurement officer's idea of the quickest the job could be done. Everybody wants everything yesterday, a laudable but impractical idea. Good progress has been

made in rescheduling aircraft, but there's a lag noticeable in most other items.

• **WPB Means Business**—WPB officials are determined that this job be done—so determined that if the services don't play ball they're prepared to do the job themselves, enforce it by the control of material deliveries.

Close scheduling of subcontracts and work in the plant is equally essential. Here the ultimate perspective is that every major plant will have a resident WPB representative taking a daily hand in work scheduling just as it now has resident procurement inspectors.

• **Going Into the Plants**—First step in this direction will be the selection of 400–500 key plants (out of some 30,000 PRP units) to which priorities men will be sent. The plants picked for the test will probably not be arms plants but intermediate suppliers.

A close check will be kept on their requirement estimates. Their work schedules will be geared to the capacities of their suppliers and the plants they supply. These plants will be given certified checks on materials—guaranteed allotments—and on that basis will be expected by government authorities to keep working inventories at an absolute minimum.

• **To Achieve a Balance**—If the experiment works, it will spread to other plants. Moreover, if the first plants are strategically picked, their rate of operations will serve as a governor on plants above and below them in the production chain. The scheme can be maneuvered to prevent the quick and easy job from running too far ahead of the related tough jobs, piling up useless inventories of semifinished goods and increasing the materials squeeze on the slower jobs.

LEADVILLE'S COMEBACK

Of all places, Leadville, the ancient, near-ghost town at 10,190 ft. in the Colorado Rockies, has become one of the nation's booming, crowded "defense rental areas."

For years Leadville has lived on the memories of its half-billion-dollar ore production, and precariously in the present on the overflow from the huge Climax Molybdenum Co. operation (BW—Dec. 21 '40, p16) 13 miles away. Once the largest city in Colorado, it dwindled to near 3,000.

Then the U. S. decided to build a gigantic camp to train ski troops at Pando, just under Tennessee Pass, 18 miles west of Leadville. Thousands of workers swarmed there. Empire Zinc Co.'s huge mine at nearby Gilman took on more men, and Leadville's own production of war minerals speeded up. Result: Colorado's cloud-scraping Lake, Summit, and Eagle counties have been declared a rent-control area, including Leadville.

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Trouble in Meat

Real shortages force OPA to seek livestock ceilings and voluntary rationing. Showdown with Wickard on control near.

The meat shortage, which wasn't true a couple of weeks ago (BW—Aug. 14, p. 28), is now not only a fact but it's direful. This week Roy Hendrickson, administrator of the Agricultural Marketing Administration, reversed the Department of Agriculture's previous stand by declaring that perhaps rationing, meatless days, a combination of the two, or something else to assure equitable distribution of what will be a short supply of meat, will soon be needed.

• **Short Three Billion Pounds**—Hendrickson predicted that from July, 1942, to July, 1943, the civilian population will have available 11,000,000,000 pounds of federally inspected meat, which is about the 1931-40 average, but that the nation's big income will mean a demand for 14,000,000,000 pounds. Federally inspected meat comprises the bulk of consumption.

This rather gloomy forecast does not jibe too well with Department of Agriculture reports which hitherto have said that there is no meat shortage, that livestock production, marketing and slaughter are at record heights, that the per capita supply is just above average when the four pounds of poultry per head is figured in, and that the present stringency will be eased when fall marketings get under way.

• **Looks Worse Next Year**—The change of heart, however, is probably in the direction of fact. Certainly next year, when military and lend-lease takings will jump from 4 billion pounds to as much as 8 billion, the situation will be tighter even though all the foregoing assertions may be technically correct. Rising income—lacking inflation controls—will intensify the problem.

The meat shortage, assuming that it now is a fact, comes in two different pieces. Consumers have made it known audibly that they are finding few steaks and chops on butcher shelves along the Atlantic seaboard, which is true. That is the public meat shortage.

• **Small Packers Wail**—There is also another vocal element, the cry of small meat packers that they are being driven out of business, not by a shortage of meat, but by a shortage of margin between livestock market prices and the sales levels at which they can merchandise meat cuts. Last week several hundred of the smaller packers got together in Chicago to form the new National Independent Meat Packers Assn., and to ask aid from President Roosevelt.

Both problems have been occupying the D. of A. and the Office of Price Administration for some time. Some action has been taken but it is not enough, and the Hendrickson admission is clear evidence that agricultural authorities feel more serious corrective efforts are due.

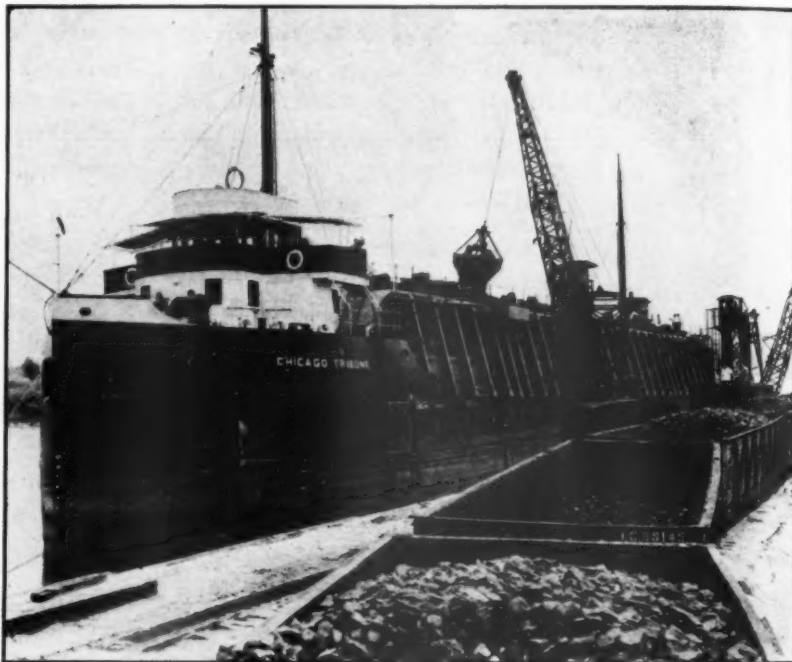
• **Large Consumption Is Felt**—Animal slaughter is normally small in late summer, and this summer high incomes and steady military and lend-lease buying have kept consumption up to the point of mild scarcity for consumers. Dressed meat price ceilings, together with unexpectedly high prices in live animal markets, complicated matters.

Here's how it worked in New England. Base price period for wholesale and retail meat ceilings happened to be coincidental with the period of Lent, which meant New Englanders at that time were eating little meat and prices were sagging. Now New England finds itself a region of low ceilings and hence

under a handicap in buying live meat in competition with other areas. Also because the packers are paying high for live animals and selling wholesale at fixed prices, they have little interest in shipping to distant New England. Add the two together and New Englanders had a meat shortage.

• **Marketings Are Large**—Efforts to help thus far have been woefully inadequate. The Agricultural Marketing Administration, a short time back, slowed down its lend-lease buying, but not enough. It also shifted buying prices to favor movement of meat eastward. That didn't help much.

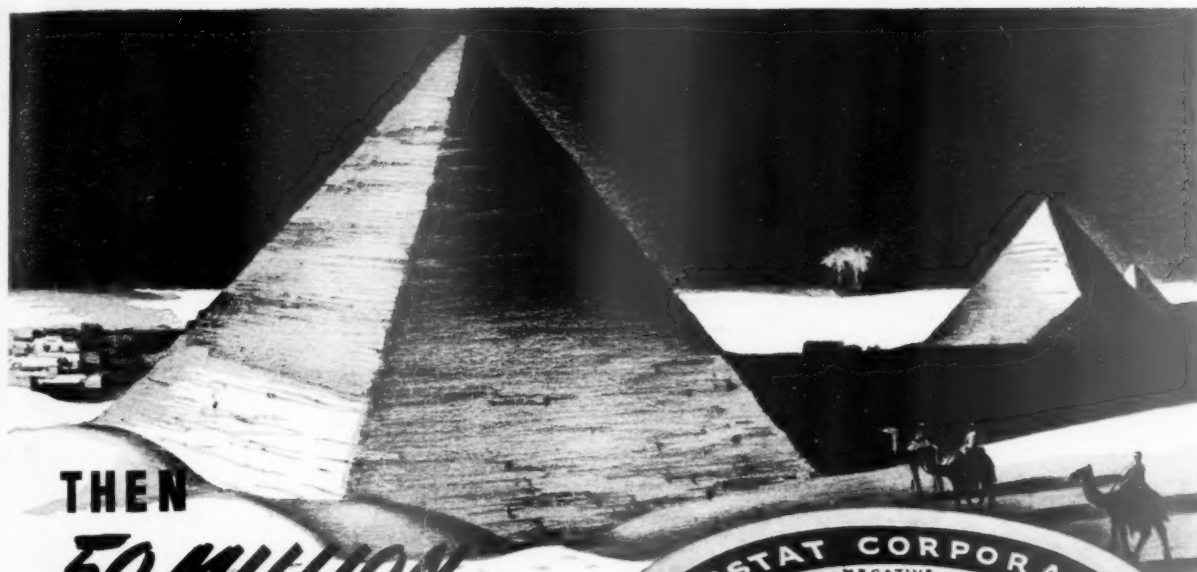
Farmers have been accused of holding back meat. They are not. Marketings in June and July were just about record-breaking. In fact, Secretary Wickard expressed considerable worry about the diversion of beef to market prematurely when cattle going into feed lots to make more beef were revealed as 19% under last July (page 27). Such a short cir-



COAL SHAKE-UP

Coal in sizable tonnage began moving last week over the Great Lakes from Chicago, more than a year after the first token shipment was made (BW—Jul. 5 '41, p. 26). Loaded by clamshells from 3,000 Illinois Central cars, 150,000 tons from the Southern Coal Co. went their way in a fleet of eight vessels, headed by the Chicago Tribune paper boat. For a quarter of a century denial of competing freight rates by the Interstate Commerce Commission to Western Kentucky and Illinois operators has forced them

to sit in the corner and watch owners in Pennsylvania, Ohio, West Virginia, and eastern Kentucky scoop up the plums of the Canadian and Great Lakes business. A recent ICC ruling which permits coal intended for lake transshipment to come into Chicago from Western Kentucky for \$1.95 a ton, instead of \$2.40 a ton, the rate for local consumption has opened all Great Lakes ports, as well as Canada, to middle western coal. Thus a Green Bay, Wis., householder, whose stoker coal now comes via Cleveland, may ultimately be supplied from Chicago, and pocket a savings.



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There isn't anything you can do about it, Hermann. Don't try to find out the details about Taylor Accuracy unless you want 1600 loyal, liberty-loving Americans to run you out of town. They're rough on rats like you. Why is our slogan, "Taylor Means Accuracy First" bad business for the Axis? Because in the minds of Taylor men there is only one thought—to build the most accurate instruments possible for measuring and

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cuit in meat manufacture has bad implications for next year's supplies.

• **Wickard Dodges Issue**—Meanwhile the D. of A. and the Office of Price Administration were at odds on how to handle prices. This week OPA is preparing detailed recommendation for imposing price ceilings on live animal markets, allocating meat, and trying out voluntary rationing (page 85). Wickard must agree before such a plan could be put into effect, and on the radio this week did agree in principle.

OPA, nervous about the pressure that is being built up against meat ceilings by unfettered live markets where hogs, for example, have advanced \$2 a hundred pounds since retail prices were pegged, is anxious to step in and control livestock markets, preserving a working margin for processors and holding one more inflation front from later trouble.

• **Plan Falls on Deaf Ears**—The D. of A. is vitally concerned with keeping all packers in business. For one thing, big supplies of hogs are due this fall and they must be taken care of by every possible packing facility. But, curiously enough, when the D. of A. offered on July 23 to keep the little packers in business by giving them contracts, there was practically no response.

The department, although it now clearly recognizes the confusion in the whole situation, still maintains that ceilings on live markets won't give the public any more meat, perhaps less. A fixed markup might save the skins of small packers but there's the fear that it would give the big packers too much margin. On top of that, the D. of A. as the farmer's friend, considers that dressed meat ceilings, in effect, must inevitably operate as ceilings on the live animals since packers can't finally buy pork at 15¢ a pound and sell it at 15¢ a pound and stay in business.

• **Near a Showdown**—Whether the OPA will get complete price control and allocations to keep meat equitably spread to consuming tables, or whether the D. of A. will forestall the live market ceilings was decided Wednesday when Secretary Wickard, in his radio address, called on the farmer to sacrifice his demands for 110% parity in the interest of winning the war. Wickard warned solemnly that the war still is being lost and that it is time for all groups to surrender advantages.

ARMY GETS CONSULTANTS

Private management consultants are doing a job for the Army. In the Judge Advocate General's Office, Stevenson, Jordan and Harrison are installing a new personnel record system.

On the West Coast, Braun & Co. is working with the Fourth Army in the handling of Japanese evacuees (BW-Jul. 18'42, p19).

Feed Lot Problem

Putting pounds on cattle just isn't profitable business under present price setup, and so tonnages are shrinking.

The meat shortage is showing signs of perpetuating itself by feeding on its own troubles. The Agriculture Department discloses that the number of cattle being fed for beef markets is sharply lower now than it was at the same time last year. In the Corn Belt 19 percent fewer cattle are being fed than a year ago at this time, which discloses a definite retrogression in the beef cattle picture since April, inasmuch as on April 1 the number was only slightly lower than the year before. The new factor is attributed to change of plans by feeders due to uncertainties over the market effect of price ceilings which were imposed in April.

Like any other manufacturer, the Corn Belt cattle feeder transforms raw material into finished product. Basically, he processes corn, oats, and a few other feeds into prime beef through the medium of calves or yearlings raised on Western grasslands and bought at the nearest big stockyards.

• **Simple Arithmetic**—Making a profit on feed-lot cattle is a problem in simple arithmetic. If the thin stuff from the breeders' range costs a couple of cents per pound less than the finished animal sells for, and if feed is cheap enough to put weight on animals below this market price, feeders prosper.

To reduce labor costs, they install more machinery than city folk expect to find on any real dirt farm. Normal equipment for a modern, progressive feeder includes a sizeable granary with elevators for corn and oats, and half a dozen bins for such auxiliary feeds as linseed, soybean, and cottonseed meals, and molasses feed.

• **Speedup Methods**—A control system moves these ingredients in desired proportions into a screw conveyor-type mixer which leads into a feed carrier on an overhead trolley above the feed bunks. Thus equipped, a farmer unaided can feed 200 cattle in 15 minutes. In his layout of this general type and capacity, Otto Baasch of Jackson County, Iowa, has—typically—invested \$7,000.

Figures recently gathered in Indiana, Iowa, and Michigan indicate just how serious the problem is for the feeders as well as for the nation's meat supply. Light thin stock of top quality sells right now for, say 14¢ per lb. The same animals fattened bring only 14½¢ per lb. To put a pound of flesh on an animal costs about 16¢, with corn prices triple those of a few years ago. Thus, the



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And here is a typical report on **TOCCO economy**: Marmon-Herrington Co., Inc., Indianapolis, Ind., is hardening tractor track pins at a rate of 200 per hour at a cost of 1¢ per pin. Formerly pack-hardened at a cost of 16¢ per pin. **TOCCO Jr.**, in assembly line, minimizes haulage. No sand-blasting required. **TOCCO** machine is always "on the alert," ready for instant hardening of any quantity of pins. Also, strength and life of **TOCCO**-hardened pins are greater.

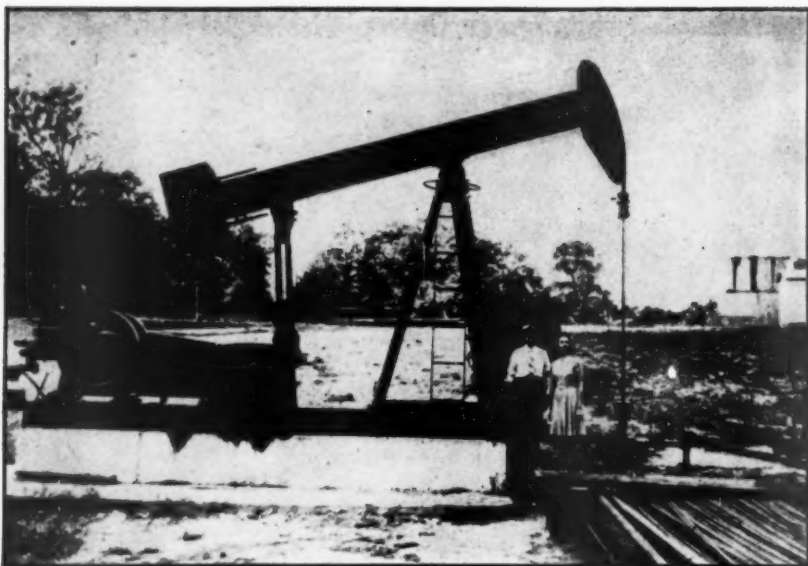
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THE OHIO CRANKSHAFT COMPANY
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World's Fastest, Most Accurate Heat-Treating Process



MORE ILLINOIS OIL

Existence of an important new reservoir of oil in Illinois is indicated by wells completed recently near St. Jacob in eastern Madison County—only 30 miles east of St. Louis, Mo. The importance of the discovery lies, not in its location, since several major fields are already in production in neighboring counties, but rather in

the fact that the oil was discovered in the geological stratum known as Trenton lime which, in Illinois, has produced such insignificant quantities that operators have not considered it profitable to test at this level. Drilling will necessarily be limited by the war-induced shortage of equipment, but several wells are already in production, and drilling options have been taken on many more.

feeder stands to lose \$10 per head after feeding 600 lb. onto his steers and heifers.

• **Record Demand**—In terms of business, this means a great deal. The nation's meat needs for military, lend-lease, and civilian population bring the greatest demand on record (BW—Aug. 1'42, p28). The summer's rains and resultant lush pastures have put enough flesh on most yearlings to meet Army specifications. Thus, when grassfed yearlings begin coming to market this month, packers will presumably outbid feeders, then slaughter the animals, leaving many empty feedlots like that of Feeder Baasch.

Intensifying the situation, many ranges are already stocked to capacity, and range men must market their animals to make space for the huge cattle population that is building up (BW—Mar. 14'42, p60).

• **Tonnage Suffers**—To the extent that these yearling cattle will not be fattened in feedlots or that others will be marketed by feeders at lighter weights than usual because feeding has ceased to pay, tonnages of beef for the general public will be substantially reduced. Jay Colburn of Harlan, Iowa, president, National Livestock Advisory Council, estimates that the supply of edible beef

will by this process be decreased 1,125,000,000 lb. for the coming year, or almost 10 lb. per capita.

Since the Army and Navy will get their full requirements whatever befalls, it is easy to understand why Washington is talking about beef rationing as an early necessity. It is also easy to see why the cattle feeders are urging that OPA do something right now to correct these trends which would adversely affect food supplies—and profits.

• **What Irks the Feeder**—The Corn Belt Farm Dailies, spokesmen for Middle Western livestock farmers, assert that the producers of top grades of beef cattle are on their way to being put out of business unless beef ceilings are revised—upward, of course. What sticks in the craw of feeders, say these papers, is that meat prices have not risen as fast as industrial wages. The contention is that until there is some control to hold wages within hailing distance of farm products prices, the farmer is not being avaricious in asking that consumers pay fair prices for meats.

Ominously the Corn Belt Farm Dailies rumble that, besides millions of cattle raisers and range men, the beef-producing industry—finishing cattle in feedlots—gives employment to half a million workers.

Softer Tax Bill?

Senate hearings indicate a tendency to cut excess profits levy, favor debtors. Sales tax wins renewed support.

When members of the Senate Finance Committee took a brief vacation this week, most of Washington agreed that they deserved it. Next Monday the committee opens executive sessions on the 1942 revenue bill. Confronting it is the problem of making a consistent, effective tax program out of the collection of odds and ends the House tossed in its lap. That is likely to be one of the toughest jobs a congressional committee ever tackled.

• **Treasury Dissatisfied**—As it stands now, the tax bill would bring in about \$6,300,000,000 of additional revenue, which means a total yield between \$23,000,000,000 and \$24,000,000,000 (BW—Jul. 18'42, p17). In the public hearings which ended last week, Treasury experts declared this to be inadequate as to revenue and inflation stopping. At the same time a procession of witnesses testified that the load imposed by the bill was more than individuals and corporations could bear.

The Treasury still holds out stubbornly for its original program which was considerably mused up by the House Ways and Means Committee. Designed to raise \$8,700,000,000 of additional revenue, it represents what Secretary Morgenthau called "the very least that the American people could afford to provide."

• **Concessions to Treasury?**—Theoretically, Secretary Morgenthau has no more voice in the matter than any other witness. Actually, Administration pressure is a hard thing to buck. The committee knows that it can expect a lot of unpleasantness if it refuses to grant at least some of the Treasury demands.

At the end of the public hearings, however, it looked as though the committee intended to write its own bill without paying too much attention to the Treasury's tastes. In deciding what subjects it would consider at the hearings, committee members flatly rejected two of Morgenthau's pets—mandatory joint returns for married couples and taxation of outstanding state and local bonds. Throughout the testimony senators seemed a good deal more interested in proposals for easing the tax burden than in arguments for raising rates.

• **Easier for Debtors**—Just now odds are that the committee will soften corporate taxes proposed by the House bill. It probably won't do much with the rate schedule for individual income taxes, but there's a good chance that it will

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FINISH THAT IS FIRE-, WATER-,
WEATHER- AND MILDEW-RESISTANT.



Revolutionary new developments of far reaching importance go forward in laboratory and factory. Now come plywood planes and gliders to save great quantities of metals.

Finish, one essential to these new craft, is produced by Zapon. Working with the Army, a new coating and a new application procedure were developed.

The finish impregnates and seals the wood and was specially designed to add a minimum of excess weight. It fits high speed production schedules.

The new finishing system is used in the manufacture of planes and gliders for the Army.

Just now the value of this new Zapon development in finishing is obvious. Like other Atlas products now doing war duty, when peace returns it will have a wide application in fields perhaps unthought of today. Who can tell what economies, what greater distribution of goods will be possible through these new things born in the retorts of wartime?

ZAPON DIVISION, Stamford, Conn. No. Chicago, Ill.
ATLAS POWDER COMPANY, WILMINGTON, DELAWARE
Offices in Principal Cities



LABOR LOOKS AT SALARIES

C.I.O. and A.F.L.* don't agree on the Administration proposal of a \$25,000 salary limit. C.I.O. is for it, but Raymond D. Cranch (above) of A.F.L.'s research staff told a Senate committee that "it would be short-sighted to limit productivity of business men."

provide a system of deductions to help both individuals and corporations which have heavy fixed obligations.

Even the Treasury agrees that the 90% excess profits tax is more than industry can carry without endangering productive efficiency. The original Ways and Means bill provided for a 94% rate with a 14% refund after the war. In final voting the House saw a chance to pull a political gesture and made it 90% flat with no refund.

• **80% on Excess Profits?**—The Senate committee seems to like the refund idea and may go back to the 94-and-14 system. In any case, it will try to hold the net tax around 80%. If strong opposition to refunds develops, it will probably adopt a flat rate.

Other corporate tax provisions are also due for overhauling. The House bill calls for a combined normal and surtax of 45% on corporations with incomes over \$25,000. Senators are likely to push this back down to 40%, which was the rate favored by the Ways and Means Committee before the Treasury stampeded it into a last-minute scramble for extra revenue. Morgenthau's original program called for a 55% rate, but he stands little chance of getting it this year.

• **Industry Seeks Relief**—A lot depends on how far Chairman Walter F. George gets with his plan to permit tax deductions for debt repayment and similar fixed obligations. With such adequate relief provisions, industry can stand a much stiffer rate than it can take on the present inflexible basis. At the public

hearings senators were impressed with the testimony of business men who declared that taxes proposed by the House bill would leave them nothing for working capital or loan repayment (BW—Aug. 8 '42, p84).

Probably the Finance Committee will consider deductions for various kinds of reserves as well as for debt repayment. Both accountants and executives have played up the importance of making provision for postwar contingencies and costs of readjustment. The Ways and Means Committee tentatively approved a plan for exempting reserves designed to offset paper profits on inventories. Difficulties in framing the language kept this provision out of the House bill.

• **To Relieve Some Hardships**—Senator George has suggested allowing individuals a tax credit for debt repayment, life insurance premiums, and war bond purchases. This would have a double effect, reducing hardships on one hand and encouraging private saving on the other.

If the Finance Committee does set up a comprehensive system of exemptions, it probably won't tinker much with the steep individual income tax rates in the House bill. The idea is that exemptions would keep the tax from imposing an unbearable load on anyone.

• **"Induced" Savings**—Carried to its logical conclusion, a deduction system would lead to a form of forced savings or highly induced savings (BW—Jul. 18 '42, p15). Committee members seem partial to the idea, but Secretary Morgenthau won't hear of it. Officially the Treasury is committed to voluntary war bond sales, and it won't back down until the present method has had every chance to prove itself. Best guess is that senators won't force the issue now.

Somewhere along the line the Finance Committee will have to make up its mind about the sales tax. As it stands the revenue bill is around \$2,500,000,000 short of what Secretary Morgenthau wants. Deductions and rate adjustments would pull it down even more. Many economists think a federal sales tax offers the only way of raising sufficient revenue without bankrupting too many taxpayers.

• **Morgenthau's Opposition**—Here again the Treasury has strong feelings. Morgenthau fought the sales tax tooth and nail when the Ways and Means Committee was considering it. Even when it was plain that the House bill would fall short of his recommendations, he refused to give in.

According to Treasury estimates a 5% tax on all retail sales would bring in about \$5,000,000,000, but exempting purchases by the federal government would cut the take to \$3,113,000,000. Collection costs would run high, particularly if low priced items were included. Some sales tax advocates accuse the Treasury of taking a won't-play atti-

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ALL THOSE IN FAVOR

... of "going full network" at the very outset of
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strong Cork ... Luckies ... Wrigley ... Philip Morris ... Eversharp
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With 14 different programs ... 20 different time periods ...
more than 9 hours of broadcasting on every station of the CBS
network, these astute advertisers signal a new trend in radio—
a trend that seems inevitable—"total coverage" of the vast CBS
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The new CBS 15% net discount to advertisers using the full
network has added from 7 to 47 extra stations on each of 14
programs at a fraction of the rate card costs.

More important still—to advertisers, to us, and to listeners—
by making better programs available to more people... by extend-
ing equality of listening opportunity to all... full network broad-
casting is increasing listening, increasing audiences, and thereby
increasing the nationwide value of radio as America's No. 1
medium of information and entertainment.

COLUMBIA BROADCASTING SYSTEM

3 MORE HANDS GO UP!

—and Lever Brothers adds
three new programs as
this advertisement goes to
press. The new hands:
General Foods Corp.,
Curtiss Candy Co. and
The Texas Company



tude and deliberately scaling down its yield estimates.

• **Business Support**—In the public hearings the National Association of Manufacturers offered a program containing an 8% sales tax which N.A.M. figured for a yield of \$5,200,000,000 on 1943 income. The Chamber of Commerce of the United States proposed a 10% retail levy with adjustments for necessities.

Without a sales tax it isn't likely that the Senate bill will yield any more than the House version, and it may bring in even less. The Finance Committee may tighten up excises a little, and it may bear down harder on estate and gift taxes, but that won't produce anything like the difference.

• **Withholding Tax in Doubt**—In addition to the major questions of policy, the tax bill presents a lot of practical problems for the senators to iron out. An example is the proposal to collect part of the income tax at the source. So far there has been very little opposition to the principle, but employers insist that they can't handle the mechanics of it.

For one thing, most of their office machines don't have enough columns to handle another deduction.

MACHINE CATALOG

Six weeks or so from now, anyone wanting to buy a piece of used industrial machinery will find that the Office of Price Administration has compiled a pretty complete catalog of equipment held for sale, either by dealers or industrial firms.

• **What It Will Cover**—Primary purpose of the compilation, which is being started through OPA's field offices, is to check on compliance with the price ceiling on used machinery, but the survey is to be handled so that the resulting information can be used in finding needed machinery.

Machine tools—of which pretty complete catalogs are already available—are not included in the survey, which will cover all forms of processing machinery, electric motors, circuit breakers and transformers, pumps, blowers, construction and mining equipment, chemical machinery, railroad equipment, and the like.

• **Where to Write**—About 35,000 pieces of machinery are already listed in the OPA file, out of an estimated eventual 500,000. A duplicate file is maintained by the War Production Board. Anyone looking for a particular piece of machinery can write to the WPB Priorities Section and ask whether such a machine is listed in the "OPA-WPB Used Machinery Index," and whether the machine is subject to a limitation order.

If the machine comes under the terms of some "L" order, it will, of course, be necessary to get WPB's permission before buying it.

Can Kaiser Do It?

His long-time associates, though "with him 100%", are doing some very pertinent wondering about cargo plane plan.

In San Francisco one morning last week, a close associate of shipbuilder-contractor-cement manufacturer-steel producer (and now, maybe, plane maker) Henry J. Kaiser telephoned a widely-known engineer of his acquaintance.

"Tell me," he asked somewhat anxiously, "on this cargo plane proposition, has Henry stuck his neck out too far or can he really deliver the flying freighters as well as he's delivered ships?"

• **Mental Reservations**—The query sums up quite accurately the present state of mind of Kaiser's associates who have been on construction jobs with him since the formation of Six Companies, Inc.—the group that worked together on Boulder Dam and other big engineering projects. Men in the Kaiser picture know that his buddies would give a lot if they could convince Henry to back water on his attempt to build the 70-ton Mars flying boats in shipyards.

They see some big, gaping holes in his proposal to convert a part of their shipbuilding facilities for airplane con-

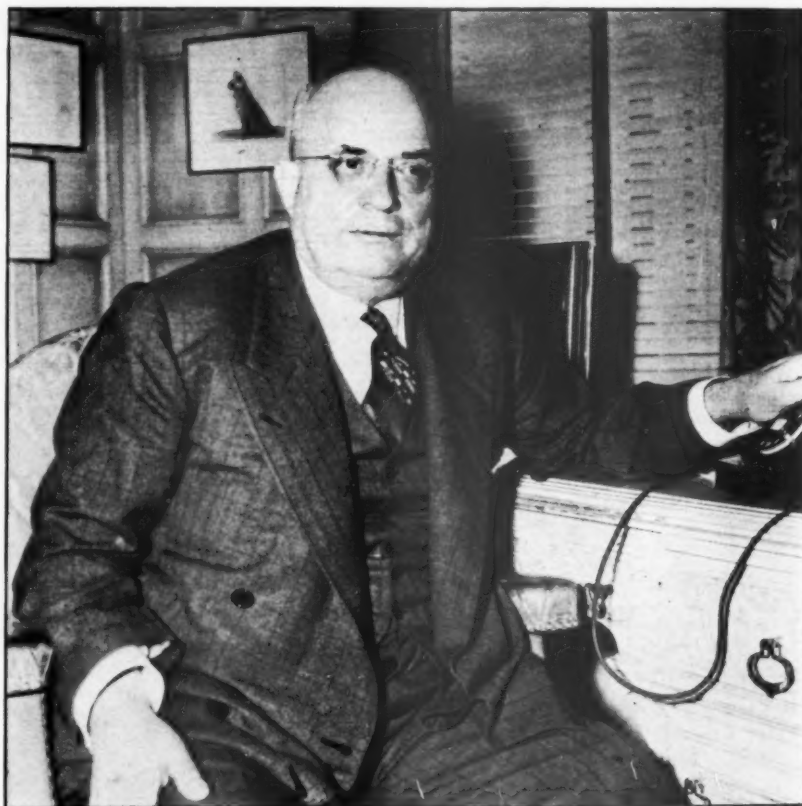
struction. They don't doubt Kaiser's ability to produce the sky freighters, because they're honestly convinced that he's something of a construction genius (although not the superman that the public is envisioning), but they would like to see him do the job in plane factories.

• **Their Own Appraisal**—Incidentally, their concern over the practicality of Kaiser's latest idea isn't founded so much on the critical testimony of the professional aircraft experts (like Harold E. Talbot and Theodore P. Wright of WPB) who voiced their views in Washington early this month, or of the amateur "experts" who have been discussing the plan in the newspapers and over the air, but on their own construction-shipyard-machine tool experience.

They aren't expressing their views in public, of course, but they aren't hesitating to talk them up in private.

• **Different Proposition**—Roughly, this is what they are saying: Plane engineering doesn't come natural to a construction specialist, and that's what Kaiser is primarily. His successes to date have depended a lot on his astuteness in hiring engineering brains to trail along after his fertile construction ideas and draw up detailed blueprints to transform them into reality.

That's what he did when he built his Permanente Cement Co. plant south of San Francisco in the super-



Hardly a superman but certainly a construction genius—that is how

Henry J. Kaiser, who yearns to build cargo planes, is sized up by his friends.

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quick time of six months and began to deliver on his contract to supply 5,000,000 bbl. of cement for Shasta Dam at \$1.19 a barrel or 65% below the then-current market quotation.

• **Shipbuilding Shortcuts**—His engineering "brain trust" was responsible also for executing his ingenious assembly-line shortcuts whereby the shipbuilding time on EC-2 Liberty Ships in his yards was reduced to less than 50 days, with further cuts apparently in prospect. Original schedule set by the Maritime Commission was 105 days.

Engineers of his selection blueprinted last February the broad plans he laid down for the \$50,000,000 steel plant in Riverside County, Calif.—the first steel blast furnaces west of Utah—for which ground was broken in April, and which will begin to produce next January, according to current schedules of the company.

• **Hard to Find**—In normal times, the energetic Mr. Kaiser could quickly select the brains to engineer the flying freighters he proposes, his associates maintain. But with aircraft labor of every type already virtually frozen, an engineering staff of the kind he needs can't be assembled without considerable delay at best, and probably not without affecting military production in the established plane plants—a development counter to

the stipulations laid down by WPB in its limited "go ahead" statement to Kaiser last week.

"Give any experienced construction specialist a squint at the product and his engineers can work out a detailed production plan. But when he has to create the product as well as the production scheme, he's likely to find himself out on a limb." That's the way Kaiser's associates are reasoning among themselves.

• **For Instance**—Take 17-ft. propellers. When the aircraft experts testified in Washington early this month that the plane industry itself hasn't discovered any way to turn out propellers—not even average-sized ones—without the extremely complicated methods of welding and rolling, they merely echoed what Kaiser's realistic associates already had figured out for themselves.

A big laboratory chore must be done before sky freighters can roll off the assembly lines at a rate proposed by the burly Oakland contractor.

• **Not a Single Tool**—Here are some other "bugs" in the shipyard conversion plan that are keeping the Kaiser clan awake nights: the shipyards haven't got a single tool that can be used to build planes and, despite Kaiser's statement that tools can be collected from various parts of the country, they are decid-

edly skeptical a supply may be found.

How about additional housing for workers? The Kaiser shipbuilding areas in Richmond, Calif., Portland, Ore., and Vancouver, Wash., are desperately up against it now for employee shelter. How can more workers be housed? As a matter of fact, if Kaiser is going to build cargo planes, why, his associates wonder, doesn't he start from scratch and build plane factories, preferably in Los Angeles where housing facilities aren't so scarce and where there's a supply of feminine labor available for war work.

• **Wage Trouble?**—They see him heading, maybe, for a swell jam on wages. Average pay in Kaiser's shipyards is \$1.31 an hour as compared with 96¢ in West Coast plane plants. Will he raise the aircraft or lower the shipyard scale if plane production becomes a part of his shipyard operations? They shiver when they realize how either procedure might throw other shipyard and plane production out of gear.

Finally, they wonder, can the comparatively delicate tolerances required in assembling the 50,000 parts of a plane be accomplished in surroundings designed to permit the hammering together of the 1,500 or so parts of a ship?

• **With Him, However**—In brief, as West Coast observers see the picture, Kaiser's associates are doing a lot of groaning and sweating over their old buddy's latest exploit, and they frankly "don't see how in hell Henry is going to pull the rabbit out of the hat this time." Nevertheless, they will back him without reservation in his "put up or shut up" deal with WPB and the Navy.

That's the acid test, but it is nothing new to Kaiser's business partners, because they aren't always informed about what he's doing, even when he hocks their assets in a rush to drive through to some successful accomplishment. (It is known, for instance, that a couple of the San Francisco banks with which Kaiser does business keep small-sized staffs busy pinning down the exact status of his various enterprises).

• **Close-Range View**—The old-timers on the Coast, those who have watched Henry Kaiser from the Boulder Dam days, long before he began to emerge as a national figure (BW—Mar. 1, '41, p28), naturally aren't falling for the "miracle man" aura thrown around him by the "gee-whiz" type of newspaper and radio adulation that has made his name almost a household word in recent weeks.

His record of accomplishments, especially in the last couple of years, is impressive enough, they feel, without the "superman" tag.

Contrary to the almost universal popular impression, Henry Kaiser didn't build Boulder Dam all by himself. Re-



NOT A MAN-HOUR LOST

Labor, represented by William J. Jones (left) for A.F.L. and by Royal Thomas (right) for C.I.O., traded felicitations last week with management, represented by Ralph Maxson (center), president of Tyson Bearing Corp., as the Army and Navy paid official tribute to the war production record of Massillon, Ohio. More than one-third of Massillon's 30,000 inhabi-

tants work in its 36 war plants. And the community has not lost a single man-hour because of strikes since the national emergency was proclaimed by the President in May, 1941. In fact, the city has had no labor trouble of consequence since the Little Steel strike of 1937. Celebrating, thousands witnessed a program which began with dedication of Tyson's new airplane parts plant and ended with a military pageant.

Women Join the "Field Artillery"

as International Harvester Dealers
Teach Power Farming to an Army of
"TRACTORETTES"



THE SUN is just over the ridge. Breakfast is just under the belt. The farmer and his helpers sample the breeze as they stand on the back steps, and the farmer says:

"I've got to go into town this morning and I'll be gone a while. Meantime, Emily, you and Ruth might as well start in on the south forty."

Emily? Ruth? Girls? Sure, why not? For Emily and Ruth are Tractorettes . . . and they know their stuff. They'll check their tractors for fuel and lubrication. They'll make those minor engine adjustments they noted mentally last night. They'll roll out early and do a first class job of field work, straight down the rows.

What is a Tractorette?

A TRACTORETTE is a farm girl or woman who wants to help win the battle of the land, to help provide Food for Freedom. She is the farm model of the girl who is driving an ambulance or running a turret lathe in the

city. Like her city sisters, she has had the benefit of special training.

Late last winter International Harvester dealers began to train this summer's Tractorettes. The dealers provided classrooms, instructors, and machines. The Harvester company furnished teaching manuals, slide films, mechanical diagrams, and service charts. The girls themselves were required to bring only two things—an earnest willingness to work and a complete disregard for grease under the fingernails or oil smudges on the nose.

They studied motors and transmissions, cooling systems, and ignition. They studied service care. They learned to drive tractors. They learned to attach the major farm implements that are used with tractors. And they were painstakingly taught *the safe way* to do everything.

» BUY WAR BONDS
» TURN IN YOUR SCRAP
» SHARE YOUR CAR

Today, on their family farms or elsewhere, thousands of "graduates" are doing a real job for victory. Tractorettes

are doing the work that used to be done by the boys who now are flying bombers or riding the slippery, slanting decks of a destroyer.

Their Tractorette training cost them nothing, except the energy and intelligence which they put into it. The company conceived and launched the program. Its financial costs are shouldered by both the Harvester dealers and the company.

This fall and winter Tractorette training courses will be broadened to meet new needs as they arise. Thousands of new girls will take the course and join the "women's field artillery" next spring, fit and ready for the every-year battle of the land. Until Victory is won, Tractorette training will continue to be one of the important *extra* services gladly rendered by Harvester dealers, as typical American businessmen, to the farmers and to the nation.

INTERNATIONAL HARVESTER COMPANY
180 North Michigan Avenue Chicago, Illinois

INTERNATIONAL HARVESTER

The Most Dangerous Job in the World!



**How you can help the lads
who take Danger as a Shipmate**

A SAILOR in the merchant marine holds one of the world's most dangerous jobs. Whether on North Atlantic convoy or pursuing a lone course across the Southern Pacific, these boys in the thin-sided tankers and freighters are the key men in the great and critical Battle of Transportation.

YOU CAN HELP win that battle—by conserving rope and twine so that there will be hawsers and lines enough to rig the ships.

ROPE AND TWINE wasted in the shipping rooms, on the loading docks, farms, and in the factories of America, may deprive those boys of a vital fighting tool. Ships can't move without rope.

So pass this word along to all rope users in your company: *save rope, save twine.*

HOW? By following simple rules for making rope and twine last longer. Write for free Plymouth literature and distribute it to your workers. Show them how to clean, handle, store, use, splice and tie rope to make it last longer. Start a twine-saving plan, too.



ALL MATERIAL to help solve this vital shipping problem is free. Write to the Emergency Service Dept., Plymouth Cordage Company, North Plymouth, Massachusetts, or Welland, Ontario, Makers of "Ship Brand" Manila Rope, and Plymouth "Wartime" Rope—the rope you can trust.

PLYMOUTH
ROPE FOR INDUSTRY
BINDER TWINE • TYING TWINE



sources of six large construction and engineering firms were pooled for the job. Six Companies, Inc., was formed and headed by the late W. A. Bechtel, of San Francisco.

• **In the Picture**—The associates comprised the W. A. Bechtel Co., San Francisco; MacDonald & Kahn, Inc., San Francisco; Morrison-Knudsen Co., Inc., Boise, Idaho; J. F. Shea Co., Inc., Los Angeles; The Utah Construction Co., Ogden, Utah; and Pacific Bridge Co., San Francisco. The Henry J. Kaiser Co., Oakland, was given an operating interest in the W. A. Bechtel Co.'s share of the Boulder Dam project.

This same group has since been associated in other projects, particularly since the United States Maritime Commission started signing contracts for construction of Liberty cargo vessels.

• **S. D. Bechtel's Role**—S. D. Bechtel, the 41-year-old president of the W. A. Bechtel Co., for example, is vice-president of Richmond (Calif.) Shipyards No. 1 and 2, and is a director of the Oregon Shipbuilding Corp., both of which are known as Kaiser yards.

At Wilmington, Calif., the California Shipbuilding Corp. also is headed by S. D. Bechtel. This is the yard which broke world records in June by delivering 15 Liberty Ships to the Maritime Commission. Kaiser has a small operating interest in Calship, as it is familiarly known. Bechtel's interest in the Richmond yards exceeds Kaiser's interest in Calship.

• **Also Present**—Other current Kaiser associates include: General Construction Co., Seattle, J. A. McEachern, president; Raymond Concrete Pile Co., New York City, M. M. Upson, president; The Missouri Valley Bridge & Iron Co., Leavenworth, Kan., H. S. Tulloch, president; Winston Bros. Co., Minneapolis, L. S. Oakes, president; Bechtel-McCone-Parsons Corps., San Francisco, John A. McCone, president, R. M. Parsons, vice-president; Turner Construction Co., New York City, R. C. Wilson, president; and Healy Subway Construction Corp., Chicago, S. A. Healy, president.

On Kaiser's immediate operating staff are some unsung men including his two sons, Edgar F., vice-president of the Oregon Shipbuilding Corp., and Henry J., Jr., administrative assistant at Richmond Shipyard No. 2; Clay P. Bedford, general manager of the Richmond yards; G. G. Sherwood, treasurer, and E. E. Trefethen, vice-president, of the Henry J. Kaiser Co.

The more critical observers—and, of course, Kaiser's enemies, of whom he has plenty—don't hesitate to remark that "almost any experienced business man could approximate Kaiser's achievements if he were backed by the New Deal and were spending Uncle Sam's money." To this, the Oakland contractor's admirers reply that his very success in

winning New Deal support for his enterprises is proof of his astuteness.

• **No Longer Publicity-Shy**—Those who know Kaiser intimately see his preoccupation with selling an idea as the explanation of what recently appeared to be a surprising change in his attitude toward publicity. Until he hatched his plan to build planes as an adjunct to his shipyards, Kaiser was publicity-shy.

This was due largely, his friends say, to a feeling that the Kaiser time was too valuable to waste on nonproduction matters. But gradually Kaiser seems to have become convinced of the power of publicity to create a demand for consideration of his ideas in Washington.

• **Willing to Talk**—That's why, much to the surprise of reporters, he suddenly became willing to discuss his cargo plane scheme with the press and on the air. It was simply a means to an end.

Basically, however, Kaiser hasn't changed much in the last couple of years, either in policy or method. Those who know him well insist that actually he gets his greatest kick out of figuring ways to build or produce something faster than ever before.

His critics say that many of his innovations, especially in shipbuilding, sacrifice economy for speed, which may be perfectly feasible in the war emergency but wouldn't, they say, work out in normal times. To that kind of criticism his friends say, "So what? Right now, Uncle Sam is after production, and Henry is giving it to him."

• **Magnesium**—The only one of Kaiser's enterprises that appears to be lagging behind schedule is the magnesium operation of the Permanente Metals Corp. (BW—Nov. 22 '41, p. 35) near Los Altos, Calif. There Kaiser based his production program on the assumption that the so-called Hansgirt process (developed by Dr. Fritz Hansgirt, Austrian engineer now in custody as an enemy alien) would pan out as his engineers expected. It didn't, and while his staff is ironing out the "bugs," Kaiser has installed other processes as a backstop.

Magnesium is being produced at Permanente in increasing quantities, but not on a scale that the Oakland contractor had envisioned when the project was set up. Significantly, when the War Production Board put through its augmented light-metals expansion program last winter, there was no expansion of Hansgirt production.

• **Pace-Setter**—But the shipyards are another story. Only a few days ago the Maritime Commission announced that Kaiser's Oregon Shipbuilding Corp. yard at Portland, Ore., was leading the nation in emergency cargo ship production, and that the Kaiser-managed Richmond Shipyards No. 1 and 2 at Richmond, Calif., were in second place. In ships per shipyard, ships per way, and average time per ship, Kaiser was setting the pace.

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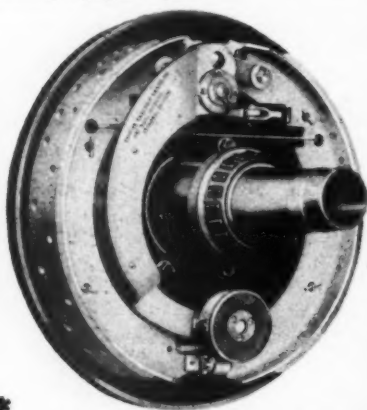


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Making 3's of 6's

Sun Oil tests indicate that blocking out half of an automobile's cylinders effects gasoline saving of 30% to 40%.

Modern-day motorists just tramp on accelerators to zip their powerful cars up a grade, forgetting all about the shifting of gears that used to be required in the days when six cylinders were a luxury. But a quick return to shifting, and on a large scale in the gas-rationed areas, may be in the making as the result of a demonstration last week in Philadelphia by Sun Oil Co. research men. The researchers shorted out half the cylinders in six- and eight-cylindere cars to effect fuel savings of 30% to 40%.

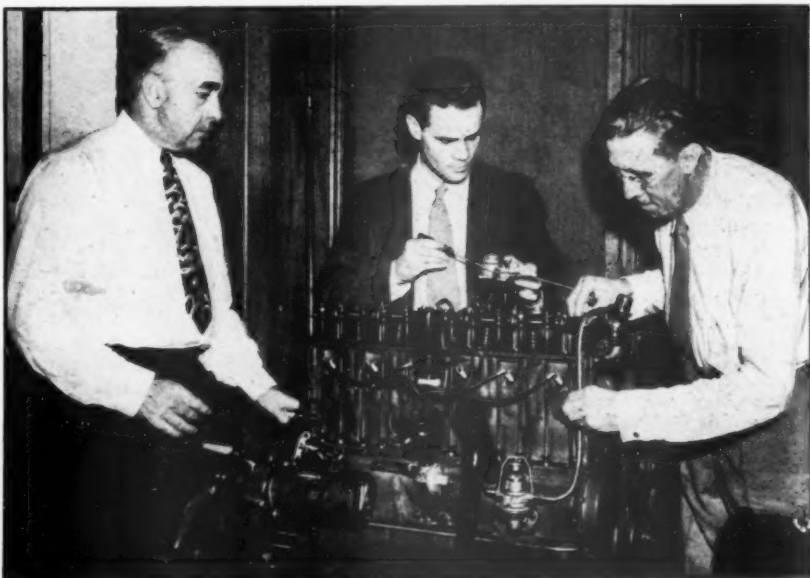
• Low-Speed Jets—How soon the average motorist will be able to take advantage of the idea depends on how soon carburetor manufacturers can turn out low-speed jets to replace high-speed ones and prevent the too-rapid flow of gasoline at idling speeds. John G. Moxey, Jr., Sun's assistant chief engineer of automotive research, reported that the jets used in the demonstration were shop-made, but that several carburetor makers are ready to go.

The conversion requires just three simple steps—simple for a mechanic, but not for the tinkerer—and the cost is just \$2 in parts plus a day's labor. Valve tappets in unwanted cylinders are removed to close the intake and exhaust valves. Spark plug points are pinched together, and the smaller jet is installed in the carburetor which then must be completely readjusted.

In a six, Moxey blocks out cylinders 1, 2, 3 according to firing order, leaving a 3-cylinder motor, which put-puts slightly at low speeds, but runs with surprising smoothness at higher ones. On the eight, the front and rear two are shorted, while on the V-8 the front two in one bank and the last two in the other are eliminated.

• Weak But Fast—Such conversion precludes lightning getaways in traffic, and hill-climbing pep, but out of ten popular-make cars revamped by Moxey, not one refused to reach 60 miles an hour, although optimum speeds are about half that. In some, Moxey reported, even the grade speed was little reduced. Company salesmen, allowed to drive the cars, have all made applications to convert their own, provided jets can be obtained.

Sun is drawing up sets of instruction sheets which will be distributed to mechanics as soon as carburetor makers are ready to supply the jets.



Despite the obvious advantages to automobile service garages if motorists in gas-rationed states have their engines altered as suggested by the Sun Oil Co. ("deadening" half the cylinders of sixes and eights), some skeptical mechanics greet announcement of the plan with warnings that damage might result to engines—unbalancing, for instance—after continued use of

half their cylinders. After J. N. Pew, president of Sun Oil, and the firm's automotive research engineers, J. G. Moxey, Jr., and A. Ludlow Clayden (left to right) finish their examination, converted demonstration cars will go to Detroit where they will be inspected by automobile manufacturers before Sun releases conversion instructions to service garages.

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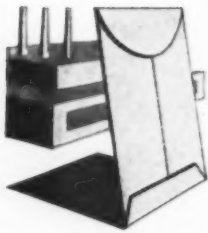
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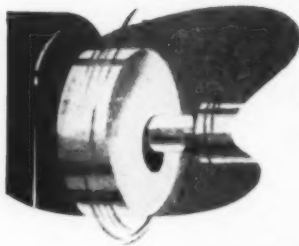
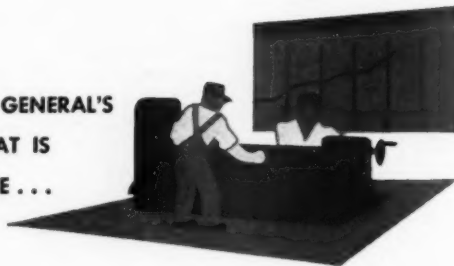
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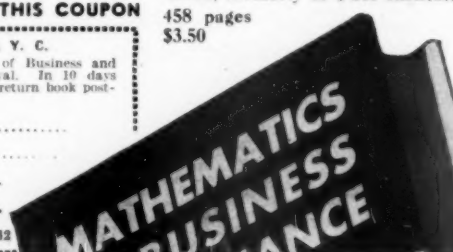
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Wage Precedent

Westinghouse takes its voluntarily negotiated 5½¢ pay increase to NWLB for review, backing board's new policy.

The government's goal of reviewing wage agreements voluntarily negotiated by management and labor this week was a long step closer to realization. This came about when Westinghouse Electric & Manufacturing Co. took the initiative by submitting its new agreement to the National War Labor Board before placing it in effect.

• **Bargaining Control**—The case, extending the government control over wartime collective bargaining very materially, is widely regarded as the most significant development in labor policy since the NWLB evolved its wage ceiling formula in the historic Little Steel decision (BW-Jul.25'42,p80).

The background of the Westinghouse case is a traditional series of wage negotiations between the company and C.I.O.'s United Electrical, Radio and Machine Workers Union. These negotiations lasted over several months and culminated in a "memorandum of agreement" which was initiated on July 17.

• **Pay Boost of 5½¢ an Hour**—This agreement provided, among other things, for a pay increase of 5½¢ an hour for the company's approximately 60,000 employees. Before the agreement could be put into effect, however, NWLB decided the Little Steel case and laid down the rule that, as an inflation preventive, wages should not be allowed to advance more than 15% above the level of January, 1941. Westinghouse withheld the negotiated wage increase until it was assured by the board last week that a 5½¢ raise did not violate the stabilization policy.

Union representatives on NWLB, in a separate opinion which concurred with the board's public-employer majority on the propriety of the increase, took sharp issue with the majority over the board's right to review the terms of a contract which had been written in collective bargaining negotiations. The labor men said: "Since the parties in this case had already agreed upon the terms of their contract, this board has no warrant for determining, on the basis of any criterion, whether the contract terms are proper. That the amount of the increase agreed upon has been approved does not alter the fact that the board has permitted itself to be used to review the terms of a voluntary collective bargaining agreement."

• **Beginning of a Trend**—Yet, over the protests of organized labor, NWLB, in cooperation with other government

labor agencies, is patently out to extend its Little Steel wage formula over all wage negotiations. This means to the contrary, that every important pay adjustment made by industry will be scrutinized by NWLB and measured against the Little Steel yardstick, a procedure for which the board has been seeking official Administration blessing.

Servicing Services

Besides training Army and Navy personnel in maintenance of equipment, industries send own field men to battle zones.

Armament producers have all but joined the Quartermaster Corps and the maintenance brigades of the armed services. To their plants come endless groups of Army and Navy men, commissioned and noncommissioned, to learn the intricacies of repair and maintenance of combat vehicles and planes. And the manufacturers are represented in the battle zones, by noncombatant field men who study the companies' products in action and make recommendations for changes when necessary or advisable.

• **G.M.'s Program**—The largest automobile industry program of this sort is that of General Motors, which is spending more than \$5,000,000 on it this year.

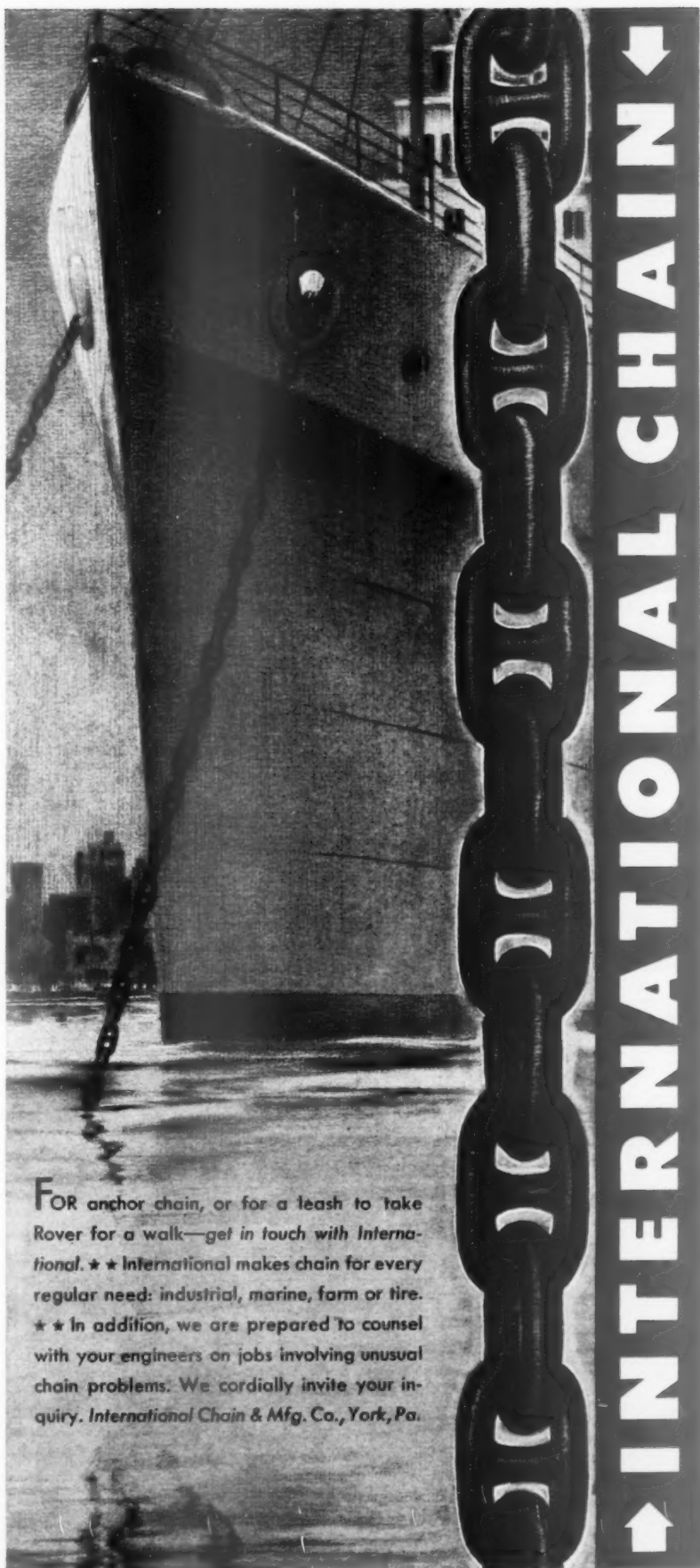
Allison Division is training Army aircraft mechanics. Chevrolet and GMC Truck have large classes of vehicle maintenance men, and GMC has stationed service managers at all nine Army Corps Area headquarters. Pontiac has opened an antiaircraft gun training school to furnish instructors and observers for Navy training centers. Cadillac is using erstwhile field service men to train Army personnel in maintenance of Cadillac-built combat vehicles used by the military.

• **Ford's Naval School**—Ford Motor Co. established a naval training school at River Rouge several months before we entered the war, through which many thousand specialists in mechanics, welding, and the like have already passed.

Chrysler's Dodge division regularly brings classes of enlisted men and officers to its plant and proving grounds to study maintenance and capabilities of its products.

Packard runs military classes at its Rolls-Royce aircraft engine plant, with students including enlisted men from many Allied armies.

Mack Truck has formed a Government Service Engineering Department, whose 70 employees keep regular contact with all camps where Mack vehicles operate, to advise on maintenance and proper repair procedures when necessary.



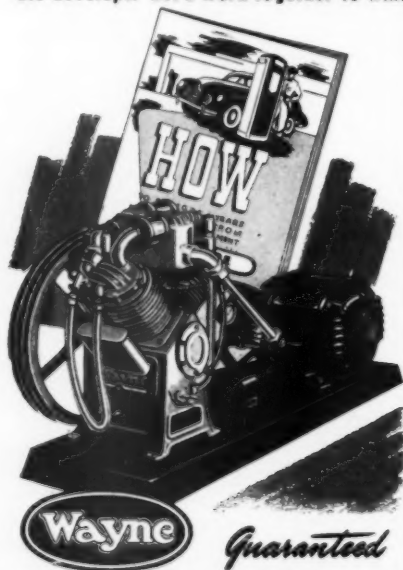
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How States Share Income Tax Burdens

Now that the Treasury has released data on state collections of Uncle Sam's individual income taxes in fiscal 1942 (July 1, 1941 to June 30, 1942), business men and economists can compare each state's share of U. S. personal tax (column 2) with its share of total 1941 income (column 1), figures just furnished by the Department of Commerce. Some states paid more, some less, than their income share, due to variations in income brackets. Most interesting to marketing men is each state's fiscal-1942 U. S. personal tax—mostly collected or saved out of 1941 income—as a percentage of that 1941 income (column 3). But 0.96% of South Dakota's income was siphoned off into those taxes, against 12.79% of Delaware's. Disparities will widen as the U. S. individual-tax "take" jumps from \$3,250,000,000 in fiscal 1942 to \$8,000,000,000 or more. The increase in fiscal-1942 taxes over fiscal-1941 (column 4) may help to indicate how fast that "take" will mount in each state.

State	% of Total U. S. Income, 1941	% of Total U. S. Personal Taxes, Fiscal 1942	% of Income Represented by Taxes Paid	% Increase in Taxes Paid, Fiscal 1941 to Fiscal 1942
Alabama	1.08	0.70	2.31	235
Arizona	0.32	0.21	2.37	237
Arkansas	0.67	0.38	2.02	267
California	7.27	7.95	3.88	171
Colorado	0.77	0.60	2.76	130
Connecticut	2.01	2.73	4.83	114
Delaware	0.33	1.19	12.79	13
District of Columbia	1.13	1.33	4.17	181
Florida	1.15	1.44	4.45	83
Georgia	1.32	1.00	2.70	153
Idaho	0.31	0.14	1.57	300
Illinois	7.33	8.75	4.24	125
Indiana	2.58	1.88	2.58	178
Iowa	1.55	0.81	1.85	239
Kansas	1.00	0.74	2.64	376
Kentucky	1.17	0.75	2.26	190
Louisiana	1.12	0.88	2.80	154
Maine	0.56	0.38	2.43	137
Maryland	1.63	1.87	4.06	108
Massachusetts	4.33	3.87	3.17	106
Michigan	4.76	5.18	3.86	138
Minnesota	1.81	1.26	2.46	151
Mississippi	0.66	0.35	1.86	321
Missouri	2.42	2.20	3.23	126
Montana	0.40	0.23	1.92	222
Nebraska	0.72	0.40	1.96	182
Nevada	0.12	0.18	5.56	108
New Hampshire	0.35	0.28	2.82	157
New Jersey	4.08	4.67	4.06	118
New Mexico	0.25	0.15	2.20	148
New York	15.12	19.56	4.59	95
North Carolina	1.51	1.00	2.35	144
North Dakota	0.34	0.09	0.97	348
Ohio	6.05	6.31	3.70	168
Oklahoma	1.07	0.69	2.28	155
Oregon	0.84	0.67	2.83	268
Pennsylvania	8.23	8.31	3.58	118
Rhode Island	0.68	0.76	3.98	108
South Carolina	0.73	0.35	1.71	230
South Dakota	0.32	0.09	0.96	273
Tennessee	1.28	1.04	2.88	169
Texas	3.53	3.20	3.22	148
Utah	0.35	0.19	1.88	218
Vermont	0.23	0.14	2.25	136
Virginia	1.52	1.53	3.56	191
Washington	1.58	1.31	2.94	273
West Virginia	1.03	0.54	1.87	178
Wisconsin	2.19	1.58	2.56	183
Wyoming	0.20	0.14	2.43	184
United States	100.00	100.00	3.55	130

Data: U. S. Treasury, Department of Commerce

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loads in industrial history . . . safely, efficiently,
 . . . saving vital time and critical materials!

At the least of America's war miracles is the speed with which huge enterprises have mushroomed from farm to straight across the land.

But engineers know that the big test has not been a simple matter of steel, cement and bricks. The real "hump" is between completion of the shell building and the actual production of materials.

Now we have seen another miracle. In hundreds of the largest and most important war plants, its accomplishment has been made possible by modern electrical systems, which have

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Bulldog Plug-In Systems are engineered for mass production — and manufactured by mass production methods. They save installation time, cut maintenance time and cost, conserve critical materials.

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downs, sabotage, accidental short circuits. System is engineered for maximum efficient use of war-scarce materials. Valuable aluminum saved for more critical products. No rubber needed.

Installation in a fraction of the time required for old-fashioned wiring, with a big saving of engineering time for layout.

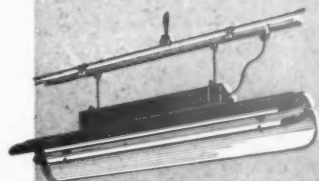
Standard, interchangeable sections — 100% salvable. Instantly convertible from one production set-up to another.

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and of will . . . any machine or battery of machines may be "down" for retooling without delaying the rest of the line. For it's only a 10-minute job to plug a machine into the Bus Duct at any desired location. That's one reason why so many big war producers use Bulldog . . . the electrical distribution system made-to-order for this emergency.



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APPLY POWER AND LIGHT FOR WAR PRODUCTION



TEN PERCENTERS

Cars of employees of Kearney & Trecker Corp., Milwaukee, whose 10% drive set something of a record when 97% of the 4,382 employees signed up, recently hit the road with bumper streamers fore and aft further promoting war bonds.

Sugar Squabble

OPA marshals statistics to bolster the case in favor of rationing but food industry sees some quirks in figures.

Critics of the Office of Price Administration's sugar rationing policy—and their number is legion—sharpened their pencils this week and went to work on that agency's first comprehensive report and statistical analysis of the current sugar distribution program. Issued after three and one-half months of operation under the rationing system, the report skipped over past experience lightly and focused its attention on the first nine months of 1943 (tabulation at right).

• **Statistics Attacked**—OPA's sugar rationing policy has been under fire from its very inception. In fact, the wisdom of Donald Nelson's decision last spring to turn sugar over to OPA has been questioned inside the War Production Board and outside among food industry statisticians. Even in peacetime there is seldom a general agreement on sugar statistics; now you pay your money and take your choice.

Although OPA critics have not yet produced bills of particulars against the report, they were quick to title it "rationalizing rationing." Basic reason for this view is that industrial users are getting the same quota distributed before OPA started to ration. From the first of the year to Apr. 28, WPB had control over the distribution of sugar.

During this period refiners, wholesalers, chains and food industry users got 80% of the sugar received or used during the corresponding month of 1941.

• **And the Quota Still is 80%**—When OPA took over, it cut the industrial quota down to 70% of 1941 use for the first allotment period—May and June. Later, it raised the quota, "temporarily," to 80% for the next two allotment periods, July-August and September-October. Despite the fact that its industrial quota is the same for these four months that it would have been if WPB control had been maintained, OPA will end up 1942 with a 2,569,000-ton carryover for 1943.

If sugar can be imported during the first nine months of next year at the present rate, OPA would need only a 1,960,000-ton carryover on Jan. 1 to fill its rationing needs up to Oct. 1, 1943. So that the whole thing won't look too easy—and so that there won't be still more squawks about rationing—OPA puts its carryover goal on Oct. 1 of next year of 830,000 tons and sets up an emergency reserve of 340,000 tons. But, even deducting these two quantities from probable supplies, there seems to be a cushion of 266,000 tons in the figures.

• **The Case for Rationing**—OPA justified rationing on the basis that loss of the Philippines and diversion of ships from the Caribbean sugar trade is expected to reduce U. S. receipts from offshore sources in 1942 to 25% below average receipts for the three preceding years and 33½% below 1941 receipts. OPA believes that a 16% beet and a 12% cane increase in 1942 continental production will not be sufficient to

maintain the total supply at former levels; thus the need for rationing.

OPA makes much of the point that reduction in offshore receipts means that domestic cane and beet must be distributed outside of their normal marketing areas—must be sent to new areas where it will replace the deficiency in offshore receipts. This raises the problem of distribution of stocks, which OPA believes is the big thing involved in rationing.

• **OPA's Official Position**—In its first definitive statement of policy, OPA said that it has tried "to establish a minimum rate of distribution under the rationing program which will result in distribution of the supply that may be safely counted on and to make available in the form of increased allowances or sugar 'bonuses' whatever amounts are actually received over and above this supply.

"In the administration of the Rationing Program it is the policy so to manage supplies available that it will not be necessary at any time to reduce the ration below the level of eight ounces per week for household consumers and 70% of 1941 use for industrial users."

RESEARCH BY NIGHT

Research goes on a night shift at the experiment station of Hercules Powder Co., just outside Wilmington, Del. With its research program doubled since 1939, and 90% converted to war work since Pearl Harbor, the company is conserving laboratory space and equipment by arranging a night shift for about one-fourth of its staff.

OPA's Sugar Balance Sheet

The boys in the Office of Price Administration who are charged with rationing sugar now are looking ahead as far as Oct. 1, 1943. The following statistical presentation, abstracted from OPA's analysis of the situation as it now appears (figures in tons), shows how they hope to come out in the first nine months of next year if shipping continues as at present:

Supply	
Inventory on Jan. 1, 1943.....	2,569,000
New supply, Jan. 1 to Oct. 1, 1943:	
From Caribbean.....	2,240,000
From Hawaii.....	600,000
Early U. S. beets.....	200,000
	<hr/>
	3,040,000
Total supply for nine months.....	5,609,000
Needs	
Civilian, military, and lend-lease use.....	4,173,000
Desirable inventory Oct. 1, 1943.....	830,000
Reserve supply.....	340,000
	<hr/>
	5,343,000
Indicated "cushion" after all needs.....	266,000
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Needs, reserves, and surplus.....	5,609,000

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"Cover-to-cover, the facts indicate
that it is one of the most **USEFUL**
magazines in America today.

Wherever you find it, you find a
business man . . . well informed."



Why business gets a better break in MAINE



Send for This Free Book



THERE are many people who think of Maine only as a vacation state. But in the present production emergency, industry in Maine is perhaps even more important. For generations, skilled Maine hands and level Maine heads have been producing essential products for the nation.

The book, "Industrial Maine," has been prepared as an aid and guide for manufacturers who are seeking new and better production facilities. Actually, Maine has industrial advantages which cannot be matched elsewhere.

Maine is only overnight by rail and road from the biggest markets of the country. There is room for industrial expansion in Maine. Labor is intelligent and friendly. Power is economical. Taxes are favorable. Transportation is quick and sure. Processing water is pure and plentiful. Many natural resources. Write for the whole story. Address the Maine Development Commission, Room 8-B, State House, Augusta, Maine.



WAR BUSINESS CHECKLIST

The Week's Orders

A digest of new federal rules and regulations affecting priorities, price control, and transportation.

• **Food**—WPB has frozen the entire 1942 production and the carryover from the 1941 crop of dried fruit—apples, apricots, peaches, pears, prunes, and grapes (raisins)—to make them available for the armed forces and lend-lease.

Packers may sell for civilian use fruit not purchased or allocated by WPB within 60 days. (M-205.)

Producers of canned fruits and berries are notified that under no circumstances will they be granted relief from present maximum prices since these ceilings allow for increased labor and processing costs and for increases in price of raw fruits and berries. (OPA-WPB interpretation of Regulation 185.)

To permit wholesalers and retailers of food products to contract at once with food processors for the coming year's merchandise, OPA gives advance notice of an amendment to the General Maxi-

Production Flag Winners

The Army-Navy E flag, hallmark of outstanding war production achievement, has now been awarded to almost 400 plants. This total includes the new winners listed below, those listed earlier in the month (BW—Aug. 1'42, p20; Aug. 15'42, p22), 223

contractors who had been awarded the Navy E flag before creation of the new joint award, and four machine tool companies, holders of the Army-Navy star, also an earlier award now superseded by the flag of the combined services. New winners are:

Aetna - Standard Engineering Co.,
Ellwood City, Pa.

Barium Reduction Corp.,
South Charleston, W. Va.

Bauer Brothers Co.,
Springfield, Ohio.

Bendix Aviation Corp.,
Eclipse Machine Division,
Elmira Heights, N. Y.

Blanchard Machine Co.,
Cambridge, Mass.

Briggs and Stratton Corp.,
Milwaukee, Wis.

Cambridge Screw Co.,
Cambridge, Mass.

Chain Belt Co.,
Milwaukee, Wis.

Champion Pants Mfg. Co.,
Perkasie, Pa.

Columbiana Boiler Co.,
Columbiana, Ohio.

Crawford Mfg. Co.,
Richmond, Va.

H. L. Crowley and Co.,
West Orange, N. J.

Cummings Machine Works,
Boston, Mass.

Cushman Chuck Co.,
Hartford, Conn.

Duplex Printing Press Co.,
Battle Creek, Mich.

Eitel McCullough, Inc.,
San Bruno, Calif.

Electromaster, Inc.,
Detroit, Mich.

Federal Screw Works,
Chelsea, Mich.

Firestone Tire and Rubber Co.,
Akron, Ohio.

General Machinery Corp.,
Hamilton, O.

General Motors Corp.,
(Three plants)

Greenlee Brothers Co.,
Rockford, Ills.

W. and L. E. Gurley,
Troy, N. Y.

Hanson - Whitney Machine Co.,
Hartford, Conn.

Harrisburg Steel Corp.,
Harrisburg, Pa.

Heald Machine Co.,
Worcester, Mass.

Hercules Powder Co.,
Radford, Va.

Hooker Electro-Chemical Co.,
Niagara Falls, N. Y.

Leland-Gifford Co.,
Worcester, Mass.

Milwaukee Saddlery Co.,
Milwaukee, Wis.

Murray Mfg. Co.,
Brooklyn, N. Y.

National Automatic Tool Co.,
Richmond, Ind.

Reed-Prentice Corp.,
Worcester, Mass.

Remington Arms Co.,
Denver, Colo.

Remler Co., Ltd.,
San Francisco, Calif.

Rivett Lathe Grinder, Inc.,
Boston, Mass.

Southwest Boat Corp.,
Southwest Harbor, Me.

Standard Piezo Co.,
Carlisle, Pa.

Timken-Detroit Axle Company,
(Three plants)

Towmotor Co.,
Cleveland, Ohio.

Vendo Co.,
Kansas City, Mo.

Victor Chemical Co.,
Mt. Pleasant, Tenn.

Virginia Bridge Co.,
Roanoke, Va.

Ten more M flags, awarded by the Maritime Commission for outstanding performance in shipbuilding, have also been announced; these are:

North Carolina Shipbuilding Co.,
Wilmington, N. C.

Koppers Co.,
Baltimore, Md.

Combustion Engineering Co.,
Chattanooga, Tenn.

Babeck and Wilcox,
Barberton, Ohio.

Globe American Corp.,
Kokomo, Ind.

Hopeman Bros.,
Philadelphia, Pa.

National Malleable Steel Casting Co.,
Sharon, Pa.

Kerest Manufacturing Co.,
Pittsburgh, Pa.

Filer and Stowell Co.,
Milwaukee, Wis.

American Hoist and Derrick Co.,
St. Paul, Minn.

"Who's Running this Church Anyway...

Miss Endicott?"



SAM PEMBROKE was the only member of our church board that took exception to Miss Endicott's letter. He seemed to think it was a criticism of him—*personally*. Perhaps this was because he was chairman when the church was built, two years ago.

As a matter of fact it was a *good* letter. The kind I would have written long ago—except I knew Sam was "touchy." In substance Miss Endicott said that the church had a bad echo and that it seemed no matter where she was seated, she had a difficult time hearing the sermon, and couldn't we do something about sound-conditioning?

"Seems a fair enough request," said one of the members, "the minister and some of the other members of the congregation have been complaining about the echo too." Then it was agreed that Sam and I should investigate the matter and make a report.

Sam was still mad when we left the meeting. That's when he exploded about Miss Endicott. But the next week when he and I went to see the Celotex Sound-Conditioning people and learned about the fine work they had done in some other churches here in town, Sam was actually *enthusiastic*!

The Celotex Sound-Conditioning people did our church too, with Acousti-Celotex. You can hear *perfectly* from any pew and the interior is more beautiful than ever. Evidently Sam isn't peeved at Miss Endicott any more. I saw them sharing a basket at the church picnic last week.

Correcting poor acoustics in churches that are "hard of hearing" is only one of many fields served by Celotex Sound-Conditioning. It is also serving with distinction in war industry and on other important "home fronts"—contributing to greater efficiency and better hearing—in factories, offices, churches, hospitals and schools. And even today, you can get it without a priority order.

Without obligation, the Celotex Sound-Conditioning representative in your territory will make a survey of *your* problem. He'll tell you what sound-conditioning can accomplish for you and what it will cost. A note on your letterhead will bring him to your desk.

FREE! Learn how Celotex Sound-Conditioning is contributing to greater comfort, better acoustics, improved efficiency, in all types of buildings. Read actual case records. Write for "Quiet Forum." Free on request. The Celotex Corporation, Chicago, Ill.

CELOTEX

SOUND CONDITIONING

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THE CELOTEX CORPORATION • CHICAGO

BURNED FACTORIES CAN'T MAKE MUNITIONS!



Protect vital industries with fire-resistant **CONCRETE**

For obvious reasons . . . fire hazard is greater in wartime.

No type of construction can prevent fires from starting, but concrete *can* help keep them from spreading, and help confine fires to the rooms or buildings in which they originate. And, because flying sparks can't ignite them, concrete buildings in the path of a conflagration act as effective barriers.

Concrete doesn't add fuel to the fire. It keeps its strength and stability for relatively long periods of fire exposure which would cause less resistant construction to collapse. Concrete buildings suffer less structural damage from fire and can be restored more quickly.

CONCRETE OFFERS OTHER WARTIME ADVANTAGES

In addition to firesafety, concrete offers rigid, durable construction with minimum use of steel—and with minimum transportation, since the bulk of concrete material is usually found locally.

On all types of war construction our specially-trained technical staff is ready to aid designers and builders in getting maximum service from concrete.

PORTLAND CEMENT ASSOCIATION

Dept. 8d-12, 33 W. Grand Ave., Chicago, Ill.

BUY WAR SAVINGS STAMPS AND BONDS

imum Price Regulation, due by mid-September, which will give them an alternative pricing method. The revision provides relief for distributors whom the March ceilings caught with prices based on cost of inventories bought months earlier and who could not restock without risking cash loss due to rising replacement costs (BW—Aug. 15'42, p5).

To meet conditions raised by substituting glass jars for slightly less expensive tin cans as packaging for food products, OPA allows manufacturers, wholesalers, and distributors to add to March ceiling prices the actual difference between costs of containers. It also demands that savings be passed on to consumers when the less expensive container is used. The order applies only to food products covered by GMPR, and only when containers vary no more than 20% in size and contain food of the same standard delivered in March. (Amendment 7 to Supplementary Regulation 14.)

Canners of standard quality tomatoes and peas may continue to charge the trade the Department of Agriculture's support prices (95¢ a dozen for No. 2 cans of tomatoes and \$1.10 a dozen for peas) should such prices be higher than ceilings for these products as computed under canned vegetable regulations. (Revocation of Amendment 5 to Regulation 152.)

Certain canned beef items, including U. S. Army rations 1, 2 and 3 have been exempted from GMPR until Jan. 1, 1943. (Amendment 5 to Supplementary Regulation 4.)

• **Coffee**—To facilitate operation of Commodity Credit Corp.'s special coffee agreement and to eliminate confusion in trade over customary differentials prevailing prior to Dec. 8, OPA has established specific maximum prices for approximately 200 grades and types of green coffee. (Amendment 3 to Price Schedule 50.)

• **Sugar**—Persons opening retail businesses since sugar rationing became effective April 28 will be allowed an initial inventory of one pound of sugar for each \$1 of gross sales estimated for first week of operation; new wholesalers will be granted the customary minimum shipping unit for the territory plus an amount of sugar estimated for sales during first two calendar weeks.

• **Services**—Sixty-one cost-of-living services, ranging from domestic laundry and garbage collection to stevedoring and the baling of hops, have been placed under revised federal price control. Ceilings formerly effective only at consumer level now apply uniformly to retail, wholesale, and industrial services thus simplifying price methods for establishments working for both individual and commercial customers. OPA exempts 25 services, such as printing and building, which are less closely re-

New assault boats

FROM RESIN-BONDED PLYWOOD . . .

lated to the cost of living. These will remain under GMPR until specific regulations applicable to them are issued. (Revision of "Consumer" Regulation 165.)

• **Territorial Sales**—Because pennies are not used as a medium of exchange in many Alaskan communities "maximum price" as it applies to Alaska has been redefined to mean the maximum price "adjusted to the nearest nickel." A "purchaser-of-the-same-class" provision has also been added to the formula for calculating Alaskan price ceilings. (Amendment 1 to Regulation 194.)

A special price ceiling for sales on price-controlled commodities imported into the Virgin Islands similar to that recently applied to Alaska has been issued to meet problems created by war shipping hazards and high transportation costs. (Regulation 201.)

• **Frozen or Idle Inventories**—Pricing formulas have been set for materials sold under Priorities Regulation 13, which controls sale of materials that cannot be used in regular business, including sales under liquidation and priority restrictions. Formulas conform to existing maximums, but make special allowances for sales of partially or wholly fabricated materials. (Regulation 204.)

• **Transport**—Railroads are prohibited from accepting for shipment, with certain exceptions, freight cars carrying civilian freight which are not loaded either to their marked load limit or to their full visible capacity. Tank cars, flat cars, and cars containing less-than-carload freight are excluded. (ODT Order 18.)

• **Petroleum**—An amendment to the Eastern Seaboard oil transportation pool agreement, approved by the Office of Petroleum Coordinator, authorizes members of the pool to reimburse distributors and retailers for losses sustained by selling at reduced prices those petroleum products which they purchased at higher prices—those which prevailed before the recent cut of 2½¢ a gal. Cost of reimbursements will be charged to the pool.

Seven western New York counties (Erie, Genesee, Livingston, Monroe, Niagara, Orleans, Wyoming) are included in the gasoline rationed area beginning Aug. 22. (Amendment 6 to Ration Order 5A.)

Petroleum producers who are also liquefied petroleum gas operators or users may now obtain priority assistance in securing materials for maintenance and repair of liquefied gas equipment. Formerly firms engaged in both types of operation were excluded from assistance under the several repair and maintenance orders. (Amendment 1 to L-86; P-98.)

• **Oil Burners**—Iron and steel necessary to facilitate conversion of oil burning furnaces to coal has been allocated to assure manufacture of grates and equip-



Fitting the resin-bonded plywood section to the stern of an assault boat, made by Higgins Industries, Inc.



Large, pre-cut plywood panels permit swift assembly of all parts. Airplanes are similarly assembled.



Two giant-sized resin-bonded plywood sections form the entire fore deck of the Higgins' assault boat.



Tego Resin Film, when interleaved with veneers and hot pressed, yields boil-proof and fungus-proof plywood.

... THE WONDERWOOD MADE POSSIBLE BY TEGO RESIN FILM

The first completely water-, weather-, and fungus-proof plywood made in America was made with TEGO synthetic resin film. Since that achievement, in 1935, TEGO has revolutionized the production and use of plywood. Resin-bonded plywood airplanes, gliders, and war boats are all end-results of TEGO's development. As in-

roducers of TEGO Resin Film and the newer cold-setting resin adhesive, UFORMITE CB-551, The Resinous Products & Chemical Company is uniquely equipped to answer fully your questions on resin adhesives for use in plywood war products. Put your problem in a letter to us today. Your inquiry will receive prompt attention.

Other Synthetic Resin Applications Developed By The Resinous Products & Chemical Company

RESINS IN PAINTS—Over fifteen years ago, AMBEROL synthetic resins made possible the development of fast drying oleoresinous enamels. Today, AQUAPLEX resin emulsion has made possible a new type of coating widely used in camouflage and other work.

RESINS THAT PURIFY WATER—AMBERLITE Ion Exchange resins produce salt-free water, purify chemicals, recover metals from solutions, and today, their unique

properties are helping increase the production of synthetic rubber.

MANY SPECIALIZED RESINS—Water resistant cardboard for military packaging, mustard gas resistant finishes, modifiers for natural and synthetic rubber, weather-proofing of Army tent cloth—these are but a few of the many other applications where our synthetic resins are playing an important role.

THE RESINOUS PRODUCTS
& CHEMICAL COMPANY

WASHINGTON SQUARE, PHILADELPHIA, P.A.

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You asked for it, Jap

Our answers to your behind-the-back slap are—

First: Many of the thousands in our Wickwire Spencer family, our sons and brothers, are already out after you, in uniform.

Second: Thousands of Wickwire "production soldiers" are fighting day and night in hot mills, beating promises on war-needed, tougher Wickwire Rope, to help hang you.

• • •

World-famous for its toughness and long life, Wickwire Rope is helping build, equip and serve planes, tanks, guns, warships and Liberty ships. It is speeding war-needed supplies from mines and oil fields.

If YOU in your war production have a wire rope need, or a question,

send it here—for Wissco engineers, researchers and skilled craftsmen to tackle. Have you our book "Know Your Ropes" showing how to make wire rope last longer? Write Wickwire Spencer Steel Company, Department B-8, 500 Fifth Avenue, New York City.



Continuous research during 121 years of wire manufacture, plus control of quality every step of the way from our own ore piles, blast furnaces, and open hearths, to skillful laying of the rope has earned Wickwire's reputation—"costs less by the calendar."

You can speed Victory by salvaging and selling old metal. The steel industry needs scrap!



WICKWIRE SPENCER
STEEL COMPANY

ment for installation before winter. Top civilian goods rating (AA-3) has been assigned delivery of the 11,000 tons of iron and steel thus allotted. (File form PD-25F for operation under PRP, PD-1A for all others.)

Pan-American Engineering Company, Berkeley, Calif., is prohibited from manufacturing residential or commercial oil burners for three months as penalty for producing Class B burners in excess of its permitted quota. (S-72.)

• **Aircraft**—WPB has raised preference rating for materials necessary to maintenance and repair of airline aircraft from A-1-j to A-1-a to facilitate deliveries from manufacturers whose schedules are almost entirely AA-1—the rating assigned aircraft production. (Amendment 2 to P-47.)

• **Lumber**—The construction lumber freeze has been extended until Aug. 27, when it will be replaced by an order establishing control of softwood lumber distribution. (Amendment to L-121.)

Price increases have been authorized on aircraft fir at the request of the Lend-Lease Administration, British Purchasing Commission, and the Treasury's Procurement Division. (Amendment 4 to Regulation 26.)

To meet threat of an acute fuel shortage in the Northwest, OPA has authorized adjustment of maximum prices on cordwood and other firewoods in Washington and Oregon. (Amendment 8 to Supplementary Regulation 14.)

• **Vitamin A**—Prices of the natural oils and concentrates from which Vitamin A is obtained have been established at levels substantially lower than those prevailing during the speculative flurry late last year. An independent price regulation removes these products from provisions of the fats and oils price schedule. (Regulation 203.)

• **Wool**—Mohair is released completely from restrictions of wool conservation. (Amendment 1 to M-73.)

Ceiling prices established for processed wool waste materials include blends composed in part of wool and other fibers, because "shoddy" or reprocessed wool manufacturers frequently use varying amounts of wool fibers in their products. (Amendment 2 to Regulation 123.)

• **Metals**—Research laboratories which put into process \$5,000 or more of metals a quarter are required to operate under the Production Requirements Plan; they are considered Class I producers and as such will be affected by Priorities Regulation 11. Special instructions applicable to research, analytical, and testing laboratories have been issued for filling out form PD-25A. Plan is optional for all producers processing less than \$5,000 worth of metals in any one quarter.

Sellers, other than wholesalers or retailers, of nickel anodes for nickel plat-

ing who are unable to determine ceilings under previous GMPR provisions may sell new anodes at maximum price of 46¢ a pound and partly used ones at 43¢ a pound. (Order 56, Part 1499, GMPR.)

Maximum prices for all secondary aluminum ingot and practically all grades of aluminum scrap have been issued or reissued by OPA. (Complete Revision of Revised Price Schedule 2.)

A new method of adjusting delivered pig iron prices on shipments from Buffalo, N. Y., when made by rail to points to which shipments before the war moved by barge is provided to relieve burden on seller paying all-rail freight. (Amendment 2 to Schedule 10.)

• **Machine Parts**—Special gages, manufactured pursuant to customer's drawings, formerly considered mechanical measuring instruments, for which maximum prices were established at October levels have been placed on a March base date. OPA made the adjustment because in manufacture of precision instruments labor cost predominates, and cost of material is relatively small. (Amendment 3 to Regulation 136.)

• **Ink**—Easing of the lead supply situation permits removal of restrictions on use of orange mineral (lead oxide) as a pigment in printing ink. Also varnishes containing glycerol phthalate resins and phenolic resins may be used in making gloss ink, non-scratch ink, or gloss overprint varnish if such varnishes were manufactured prior to March 30 for printing ink. (Amendment 1 to M-53.)

• **Fuel**—OPA has established specific maximum rates for trucks hauling coal from mines to beehive coke ovens in Fayette, Greene, and Westmoreland Counties, Pennsylvania; rates, figured on a mileage basis, will replace ceilings under GMPR. (Amendment 5 to Supplementary Regulation 14.)

• **Machine Tools**—Reallocation of tools after certain quotas have been filled is provided by a revision in control of deliveries. Surplus tools available because one class or group of military contractors has failed to order its full quota will go to the group of service purchasers which has the greatest backlog of orders in proportion to tools in its quota. Formerly surpluses were scheduled in accordance with urgency standings of purchasers. (Amendment 1 to GE-1-b.)

WPB advises urgency standings should not be used in connection with Preference Rating Certificate PD-1A since they govern the sequence of deliveries of machine tools between service purchasers of the same group within percentage quotas and must be confined to original Certificates PD-3, PD-3A, PD-4, and P-19-h. (Interpretation 4 of E-1-b.)

• **Steel**—Ratings of AA-3 may be applied for maintenance, operating, or repair supplies for iron and steel mills. (Amendment to P-68.)



CLEAN, FRESH AIR IS HELPING WIN The Battle of Production



Photo courtesy the Austin Company, Engineers and Builders

Plant moral is a key factor in maintaining war production at peak levels. This calls for fresh air—plenty of it—to keep workers alert and efficient. Buffalo Ventilating Fans are tackling this important job with 24 hour-a-day dependability—circulating air for the “lungs of industry”—keeping the atmosphere fit and workers healthy, comfortable and cheerful.

Now—as for over 60 years—Buffalo Fans are quietly, efficiently serving the production line

The special ventilating system in this plant provides comfortable, dust-free conditions with Buffalo equipment. Air is washed and cooled (or heated) and circulated throughout the interior by means of an under-floor network of concrete ducts.

—putting the air to work on ventilating, heating and air-conditioning, mechanical draft, exhausting and material conveying. In war, as in peace, Industry safely relies on Buffalo.



BUFFALO FORGE COMPANY
438 BROADWAY BUFFALO, NEW YORK

Branch Engineering Offices in Principal Cities

CANADIAN BLOWER & FORGE CO., LTD., KITCHENER, ONT.



Under this powerful war machine's coat-of-mail is wood that does *not* weaken . . . split-proof, impact-resistant Weldwood.* The crashing onslaught of a Gen. Grant may shatter a massive tree trunk—but the shock does not affect any element of the tank's internal structure—the Weldwood is strong as steel.

Plywood parts, like everything else in a tank, are subjected to merciless jolting, vibration and strain. Weldwood, strong yet light in weight, is tough and split-proof and so withstands this punishment. Furthermore, it is highly resistant to heat, cold and humidity, rot and bacteria.

For the above reasons, and because Weldwood lends itself to fast, economical production without expensive tooling up, it has proved an important material for both war and peacetime use. Rapid strides made in its use today point to widespread application in post-war years.

Write for information and illustrated literature explaining how Weldwood may be profitably utilized in *your* business.

UNITED STATES PLYWOOD CORPORATION
New York, N. Y.

World's largest producer of plywood.

Wood's Good...

WELDWOOD*

is Better

*Family name of plywood products made by United States Plywood Corporation.

THE WAR—AND BUSINESS ABROAD

Strategists Weigh A Gamble

Churchill visit to Moscow signals another war crisis, redoubling pressure for a second front. Military problem is to find most effective way to use up German reserves.

The war problem this week was, more than ever, the old one of deciding where, on the world-wide battlefield, it would be most profitable to apply General Nathan Forrest's Civil War maxim—"Git thar fustest with the mostest men." Business management, concerned with seeing its massive war production turned to fighting account, added "and with the mostest equipment." The raid on Dieppe showed the importance of both.

Reassuring dribbles of news from the Solomons, delayed in confirmation, lent hope to the belief that the Navy had "done a Forrest" on that furthest outpost of the Japanese left wing. Business listened anxiously, knowing that any failure attributable to supply shortages there, would have resounding repercussions on Washington's civilian war command, already under sniping fire from the Army and Navy.

A New Turn

Formal confirmation of Business Week's early advices (BW—Aug. 8 '42, p13) that Prime Minister Churchill had again signalled a critical turn in the course of the war by putting himself on the critical spot—this August Moscow, as last August it was the Atlantic Charter rendezvous—helped to keep American minds focussed on the fact that the chief key to victory still rattles in the Middle East gateway. To offset continuing fears that it might lie in Hitler's grasp there was only some small evidence that Russian resistance was making successively larger cuts in the German's Caucasian mileage.

Critical questions lay immediately ahead: Would the Nazi drive gain overwhelming impetus when Von Bock pushed down from Krasnodar to Novorossisk, last big Russian-held Black Sea port, opened that door to his troops in the Crimea, and cleared the easy water route to the Caucasus for his efficient supply services? And could the Russians still hope to counter this and serve other desperate purposes by mounting an offensive in the north and washing German reserves down a bloody drain from Leningrad to the Orel pivot? And then would Japan attack?

These questions surely came up at the Churchill-Stalin conferences, for upon them, in part, hang all the ques-

tions relating to Stalin's cry for a second front. We—the Americans and British—think we know what we can do on a western offensive front next spring; and we know that our strategists think that a second-front effort now, in our present production stage and our present shipping situation, may end on the epitaph, "Too soon with too little." As American planes from British bases come under the fire of German defense squadrons—and of British critics—a decision to link them with an immediate land and sea gamble on the invasion coast must hang heavily on the hope that a North Russian offensive, synchronized with its start, will help us move fast enough to draw reserves from Von Bock and Rommel and save the Middle East, too, for 1943.

Americans watching the fighting front have been reminded of the importance of their hemisphere front by a personal letter mailed by Nelson A. Rockefeller, Coordinator of the Office of Inter-American Affairs, to the presidents of 1,500 of the largest manufacturing companies in the United States. It read:

"Advertising by every manufacturer exporting to the Americas is urgently needed to explain the reasons for the shortages of United States goods, to appeal to the peoples of the other American nations to share in the necessary sacrifices we all have to make, and to explain how to conserve supplies."

Guides to Advertisers

It cautiously reminded exporters anxious to assure their place on the ground floor in Latin American postwar trade that the Treasury Department is kind to reasonable advertising deductions from federal income taxes.

It will be followed up by calls from the Department of Commerce regional advisers.

Export advertisers are now studying copy used in Latin America by such persistent pushers as Bausch & Lomb, Allis-Chalmers, and Thompson Products. Business Publishers International Corp. (330 W. 42nd St., New York) is ready with a newly-published handbook, "What the Export Advertisers Are Saying," exhibiting and commenting on recent advertisements by such leaders as Monsanto Chemical, Caterpillar Tractor, Worthington Pump, U. S. Rubber.



"STEP LIVELY" **IS THE WORD**

DURING 1941 the railroads moved the greatest volume of freight in their history.

In the first 6 months of 1942 they carried 36% more than in the same period of history-making 1941.

One reason the railroads have been able to do this has been the all-out cooperation of shippers.

Cars have been loaded heavier, sent away faster, emptied quicker.

This is important. For to carry everything the Government, Army, Navy and Business have to haul, cars have to be kept moving.

So you see why there's no room for sleeping shipments. It's transportation we have to deliver—someone else will supply the storage accommodations.

And so to keep war equipment, foods and commercial goods on the move, "step lively" is the word.

"The first World War taught the Government and the railroads and the public a lesson they will never forget. First, that those can better conduct transportation than the Government or any inexperienced agency. Second, that railroad cars are never to be used for storage, but for transportation. Nothing shall be put in a car that cannot be immediately dispatched and unloaded at destination." —
COLONEL J. MONROE JOHNSON,
Member of Interstate Commerce Commission in Charge of Bureau of Service.

ASSOCIATION OF
AMERICAN



RAILROADS

WASHINGTON, D. C.

Eyes on the U.S.

Canadians are looking to Washington for tipoff on what is going to happen to industries as result of material scarcities.

OTTAWA—Canada is following the United States closely in dealing with the problem of scarce materials. The recent meeting of the Joint War Production Committee in Washington is understood here to have resulted in decisions that will curtail and divert war production as well as civilian industry. It is felt that many plants producing consumer goods will have to close.

● **Looking Across Border**—Recognizing that Washington's actions must govern the use that is made of available material, Canadians look in that direction to see what is likely to happen to their civilian industries and their small war contractors. The situation was canvassed at the meeting a month ago between Donald Nelson and Leon Henderson, for the United States, and Munitions Minister C. D. Howe and Price Czar Donald Gordon, for Canada. Now it is believed that something definite is shaping up regarding production assignments.

Ottawa is abandoning the view that civilian plants displaced by scarcities can be extensively converted to war production. Materials, particularly metals, will be increasingly reserved for essential production that is already under way. Steel shortage is the most pressing present worry; requirements are reported to be almost double available supplies.

● **Less Subcontracting**—Before the materials situation became apparent, Canada was rapidly developing a subcontracting organization. The present trend is to soft-pedal farming-out operations.

Revision is expected soon in Washington's Production Requirements Plan for the supply of materials to war contractors. Word here is that firms using less than \$5,000 worth of metals a quarter will be required to establish future needs in the same way that is required of those who use more than that amount. It is understood that the recent meeting of the Joint War Production Board drafted tentative plans in this connection.

● **Manpower Shortage**—Canada's non-war plants face early diversion of skilled labor to war industry. Rules for such diversion already have been drafted by Selective Service Director Elliott Little, but the government is timid about compulsory phases of the plan. Political factors affecting the situation are expected to change when the cabinet resorts to conscription for overseas military service.

The Dominion's residue of employable jobless has already been absorbed, and Director Little is now surveying

nonwar industries subject to curtailment. First of these is the pulp and paper industry. Newsprint plants in Quebec are due for curtailment in September in connection with the transfer of electric power to aluminum expansion. Little's own Anglo-Canadian Pulp & Paper (he was general manager before taking on his war job) may be closed down completely.

● **Mitchell Gets the Call**—Ottawa has settled on hornyhanded Minister of Labor Humphrey Mitchell to be ministerial head of manpower policy. Up to the present, Defense Minister Ralston and War Services Minister Thorson have been squabbling for control. Present decision is that war industry is to lose virtually all its beginners, a percentage of its semiskilled, and a smaller percentage of its skilled and key-men. Little is registering and training women who are now unemployed to replace these as soon as possible.

Compulsory transfer of workers from nonwar plants to war plants is definitely in prospect. Workers will be forbidden to leave jobs without Little's permission and employers will not be allowed to fire men without good cause.

● **Government Buying**—Ottawa is going in for government buying of all scarce materials, especially imports. Price Czar Donald Gordon has ruled that all purchases of short materials from abroad will be made by the government-owned Commodities Prices Stabilization Corp., and that where it may be necessary domestic goods will be absorbed in the same way.

The corporation is now buying vegetable oils, coffee, cocoa, and other rationed commodities. Most interesting to Canadian business is that it may decide to enter the domestic field with the bulk buying of butter and some canned goods.

BITS AND PIECES

LONDON—The latest British bombers—the Stirling, Halifax, and Lancaster—carry heavier loads of bombs than any other bombers in service.

The Stirling has a carrying capacity of eight tons of bombs—more than even the bomb load of the huge Boeing Flying Fortress.

MEXICO CITY—The Export-Import Bank has granted Mexico a \$6,000,000 loan to help build the proposed Altos Hornos Steel plant at Monclova, Coahuila, and at the same time has consented to more rapid use of last year's \$30,000,000 credit to build highways. Original scheme called for maximum annual expenditures of \$10,000,000 (BW—Jul. 11 '42, p.40).

INDIAN PROJECTS DELAYED

NEW DELHI—One of the most important industrial projects recommended by the United States industrial mission to help make India less dependent on imported war supplies is being delayed by the civil disturbances. This is the industrial alcohol plant, for which equipment had already been earmarked in England.

Another big war emergency project that is being held up is the construction of tire plants.

These new industries were recommended several months ago by United Nations advisers. India and Ceylon produce normally 100,000 tons of natural rubber a year, enough to cover England's entire demand in any prewar year.

Plan proposed by the advisers was to set up new plants to make tires locally, and to that end, orders for needed factory equipment had been placed in the United States.



AXIS AID

According to the caption which accompanied this photo from Lyon, France, men are flocking to placement

centers to sign for work in Germany in response to an appeal from Pierre Laval, chief of government. The caption did not explain that the choice is between war work or no dole.

INDUSTRIAL EXECUTIVES!

THE SCRAP FROM YOUR PLANTS IS NEEDED AT ONCE TO KEEP WAR PRODUCTION MOVING!

YOU know that all our furnaces and mills must be kept working at top speed to win this war. Yet the steel industry, already producing record quantities, cannot attain its full, needed war-time capacity of 90,000,000 tons unless 6,000,000 additional tons of scrap steel is uncovered promptly.

This critical situation can be solved only by the patriotic cooperation of every American manufacturer.

In your plant, lying around in repair shops and storerooms, is the scrap America needs to give our boys the fighting tools they must have to win...

Broken castings, pipe, obsolete machinery, abandoned line shafting, pulleys, pumps, old boilers, storage tanks, beams, rails, fencing, track, chains, cable, rusty bolts, nuts, and rivets...

Round them up and get them moving to the front!

... Like the gas appliance manufacturer who searched his plant and found 90 tons of scrap metals... or the paper mill that "mined" 1,800 tons of steel from its plants... or the rubber company that asked its foremen to "stop holding things" and collected 1,608 tons of iron and steel from old molds and obsolete machinery in a single week!

What others have done, you can duplicate. Walk through your plant with "Scrap" in your mind—you'll be amazed at the harvest. But get it into the fight, *at once*... the war won't wait!

★ ★ ★

HERE'S WHAT TO DO... Appoint one man as Salvage Manager for your organization. Give him authority to *act*—to condemn old equipment, to move material, to collect scrap of all kinds. Have him separate all scrap by type. Then move it promptly through your regular scrap dealers. Don't wait—start rounding up scrap *now*—and keep your scrap moving until the war is won!

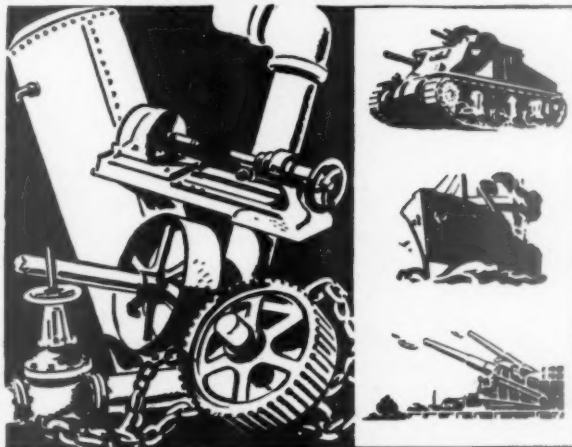
**THROW YOUR
SCRAP INTO
THE FIGHT
!**



DONALD M. NELSON
says to all industry:

"The shortage of scrap materials for war production is acute. 6,000,000 extra tons of scrap iron and steel alone are needed this year, and vast quantities of rubber, copper, brass, tin, lead and zinc. Without your immediate, active cooperation—whether you have war work or not—we cannot lick this problem. We urge you to organize at once an all-out collection drive in your plants for these materials."

SCRAP NEEDED FOR WAR SCRAP IRON AND STEEL



50% of every tank, ship, and gun is made of scrap iron and steel!

Other metals—Rubber—Rags— Manila rope—Burlap bags



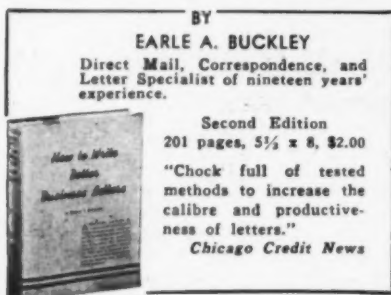
Thousands of tons of these materials are needed to make bombs, tires for jeeps, surgical supplies for military hospitals, wiping rags for guns, insulation for electric wiring, parachute flares and sandbags.

This message approved by Conservation Division

WAR PRODUCTION BOARD

This advertisement paid for by the American Industries Salvage Committee (representing and with funds provided by groups of leading industrial concerns).

How to Write Better Business Letters



BY
EARLE A. BUCKLEY

Direct Mail, Correspondence, and
Letter Specialist of nineteen years' experience.

Second Edition
201 pages, 5½ x 8, \$2.00

"Chock full of tested
methods to increase the
calibre and productive-
ness of letters."
Chicago Credit News

YOU can make dictation or letter writing an easier job and at the same time make letters do more work, with the aid of this helpful book. In simplest possible manner it shows the essentials of good letter writing and with pointers and examples from the work of successful letter writers shows how to make your own letters more productive. Covers all the regular correspondence needs of business offices, including sales letters.

A practical business manual

The book is one of a series especially planned to help business men with boiled-down, simple treatment of their problems—suitable for the smaller business owner-manager as well as the specialized worker or executive in larger concerns.

Tells how to

- write attention-getting openings
- develop the body of the letter
- write action-compelling closes
- write an adjustment letter
- write an inquiry letter
- write collection letters
- revive inactive customers
- avoid "telegraphic" letters
- make every letter a sales letter, etc.

Make every letter you write a real business-builder

Every letter—of inquiry, proposal, or adjustment—has a job to do. But so routine a part of business is correspondence that the profit possibilities in improving it are often overlooked. Try Buckley's methods in your letters—even a slight increase in efficiency of each one will mean a lot in a month's time.

10 DAYS' TRIAL—SEND COUPON

McGraw-Hill Book Co., 330 W. 42nd St., N.Y.C.
Send me Buckley—How to Write Better Business Letters for 10 days' examination on approval. In 10 days I will send \$2.00 plus few cents postage, or return book postpaid. (We pay postage on orders accompanied by remittance.)

Name

Address

City and State

Position

Company BW-8-22-42

Helping Retailers

Britain devises a system which would let shopkeepers close now (instead of drawing on capital), reopen after war.

LONDON—American automobile salesmen have had to find new jobs since the beginning of the year, and filling station proprietors have had to find new merchandise to sell because of the gasoline shortage, but on the whole retail trade in the United States is not likely to begin running out of things to sell until later this year. By then, however, the growing list of consumer goods that cannot be replaced (along with the rapid disappearance of prewar inventories) is likely to raise in the minds of retailers everywhere the great question: "What do I do now?"

Because American experience in so many lines has followed the British, retailers are likely to turn to London for an answer.

● **Reliance on Imports**—For a number of obvious reasons British experience will not be exactly paralleled in the United States. In the first place, Britain is far more dependent than the United States on imported supplies of everything from cotton to grapefruit juice, and submarine and air warfare began cutting into these imports immediately the war started in September, 1939. This made rationing of both food and clothing a necessity in Britain as early as 1940, though on only a limited basis, until 1941 (BW—Jan. 31'42, p34).

A year later the blitz ruined stocks of British supplies and wiped out many important retail shops in London and the big industrial centers of England.

● **Immediate Prospects**—It is plain now, however, that America's war production is on such a large scale that even the vast raw materials sources of the United States won't cover military needs and leave adequate supplies to meet civilian needs unless these are drastically curtailed.

And it is beginning to be plain that as vast numbers of civilians—possibly 6,000,000 men by next year—are called into the services, there is bound to be a sharp curtailment of retail turnover and some one-man shops that will run into trouble if the owner is drafted.

● **Study Completed**—A special retail trade committee, appointed several months ago by the Board of Trade, has just completed a survey (excepting food retailers) and sent to the government a series of recommendations which are bound to be of interest to farsighted executives in the United States.

This British committee discovered, in surveying 120 department stores, that

SIMPLIFIED PRODUCTION

Cadburys feel it may be of general interest to publish the following facts.

As compared with pre-war:

PRODUCTION at Bournville of Chocolate and Cocoa has fallen by only 13% and a considerable proportion of this is for Service requirements

BUT

LABOUR used in the manufacture of Cocoa and Chocolate has been reduced by 40%

AND

FACTORY SPACE released is more than 20%

PAPER AND CARD used for wrapping purposes have been reduced by 50%

How has this been done?

The answer is simplification. We have stopped making Assortments and have concentrated on the manufacture of Cocos, Moulded Chocolate, Bourn-vita, Filled Blocks and Chocolate Biscuits.

Before the war we made

99 LINES — 237 PACKINGS

This has now been reduced to

16 LINES — 29 PACKINGS

¶ We submit this record of our experience to show how by simplification it is possible to produce the maximum amount of goods with the minimum of labour, space and materials.

ISSUED BY

CADBURYS
OF BOURNVILLE

Cadburys, Britain's biggest cocoa and chocolate manufacturers, is helping to set the "economy" pace by advertising to other producers, at the same time that they are keeping their consumers informed exactly how far they have simplified production and what the economies mean in terms of manpower and materials.

they had lost about 23% of their total floor space in bombing raids and that with curtailed trade and operating economies they had reduced their staffs about one-third.

● **Few Chain Stores Closed**—Out of 1,052 chain store units operating before the war, only 42 were closed because of bombing or voluntary consolidation, though staffs have been cut 25%.

Cooperatives, controlling a larger proportion of the retail trade in Britain than is the case in the United States, have fared better than other organized retail groups. Though they lost nearly 10% of their shop space in the blitz, at



The flag flies for the Fortress

First Joint Army-Navy Award for Aircraft Production Goes to Boeing

"For high achievement in the production of war equipment" . . . so reads the citation bestowing the joint Army and Navy Award upon the Boeing Aircraft Company, and each of its employees.

Boeing is the first aircraft company to receive the award. The war equipment mentioned is the Boeing Flying Fortress* — the long-range heavy bomber whose speed, altitude and fire-power make it the American flying weapon most feared

by the enemy. . . . The achievement is the ability of Boeing employees and production strategists to turn out this highly complicated, immense and powerful airplane in greater numbers and at a much faster pace than was thought possible a year ago.

From the very beginning, the swift production of Flying Fortresses has been a major part of the War Program. Long before Pearl Harbor, the heat was on the Boeing production system. Since December 7, the production of Flying Fortresses has been steadily stepped up to meet the

demands of the men on the flying fronts in Australia, India, Africa, England and Hawaii . . . to answer the constant cry of "send us more B-17's!"

To the Army and the Navy, to the crews of the Flying Fortresses wherever they fight, the men who designed this airplane and the men and women who build it send this message:

"The flag is up! We will keep it flying. We are building you the best airplanes we know how to build, and we are building them as fast as possible. Keep 'em flying!"

DESIGNERS OF THE FLYING FORTRESS • THE STRATOLINER • PAN AMERICAN CLIPPERS

*THE TERMS "FLYING FORTRESS" AND "STRATOLINER" ARE REGISTERED BOEING TRADE-MARKS

BOEING

least one-half of this has been replaced.

• **Many Shops Not Tabulated**—What these statistics fail to reveal is the distress of thousands of small shopkeepers. Because they were not organized before the war and because the Board of Trade keeps no detailed census of retail trade, the mortality in the small retail field can only be estimated.

Records from Glasgow show that, of 19,000 retail shops operating just before the war, 3% closed in the last four months of 1939, another 6% during 1940, and 8% in the first half of 1941. And of 232 shops operating in 1939 in Streatham, a London suburb, 101—or 44%—had been closed by the summer of 1941.

• **Concentration Plan**—It is that situation in the small retail trades which has caused the retail trade committee to recommend to the Board of Trade a plan for voluntary "concentration" similar to the pattern followed by industry two years ago (BW—Dec. 20 '41, p. 34).

What the British authorities propose is a Retail Concentration Insurance Fund to which all retailers (except food)

remaining in business would contribute on a compulsory basis. Proposed annual premium is 1% of yearly turnover.

• **Closings to Be Encouraged**—As soon as the plan is put into operation, small shopkeepers who are finding it virtually impossible to make ends meet because of falling turnover and the tightening price squeeze, will be urged to go out of business for the duration. To cover such fixed obligations as rent and repairs, they will be paid out of the insurance fund an amount approximately equal to 5% of their turnover during the last full business year.

In most cases, according to the survey specialists, this will be enough to cover rent payments for as long as the lease lasts. At the same time, the government will recommend that the retiring shopkeeper be exempted from monthly utility charges whether or not the gas and electricity fixtures are removed.

• **Experience Proves Need**—Experience during the last two years proves that many little retailers, hoping always that they can last out the war, have hung

on until they have lost all of their capital. Because these small shopkeepers will be needed after the war, London has tardily worked out the insurance plan.

If the scheme is accepted and put into operation this fall, authorities expect hundreds of small shopkeepers to avail themselves of its benefits.

SALESMEN SELL SELVES

Canadian salesmen, with steadily dwindling supplies of goods to sell, are promoting a national advertising campaign in daily and weekly newspapers, financial and business publications, to sell themselves. Six separate organizations have united to form the National Committee of Canadian Commercial Travelers which is sponsoring the drive. Wartime duties of a good salesman, the campaign points out, are to interpret government regulations and policies to buyers, to show how to prolong the life of merchandise, and to promote the efficiency of retailers and the equitable allocation of merchandise.

America's Corporate Stake Abroad—\$7,000,000,000

Figures for 1940—just released—show that direct investments of United States business concerns in foreign properties amounted to \$7,000,342,000 at that time—66% of the country's total investments abroad, whereas at the end of 1929 they constituted only 52%. The decline in the value of foreign dollar bonds held in this country (indirect investment) and the increase in "involuntary" direct investment (American earnings abroad "frozen" in the coun-

try of their origin) are the two main reasons for the increase in relative value of the direct investments.

Shown below in Table I is the breakdown of the total figure by type of industry and major geographical area. Details for individual countries in Latin America are provided in Table II. Similar detailed data on individual countries of the old world will be presented in an early issue. Figures are in thousands of dollars—000 omitted.

TABLE I: WORLD DISTRIBUTION

	Manu- facturing	Public Utilities and Trans- portation	Petroleum	Mining and Smelting	Dis- tribution	Agri- culture	Mis- cellaneous	Total
Canada and Newfoundland...	635,523	407,237	119,606	187,227	111,561	10,548	630,992	2,102,694
Latin America.....	209,548	962,029	572,084	512,432	81,753	359,116	74,474	2,771,436
Europe.....	639,447	73,565	305,521	52,655	244,746	.....	104,431	1,420,365
Asia, Africa and Oceania.....	133,193	70,885	279,962	29,615	83,548	63,028	45,616	705,847
Grand Total.....	1,617,711	1,513,716	1,277,173	781,929	521,608	432,692	855,513	7,000,342

TABLE II: LATIN AMERICA

	Manu- facturing	Public Utilities and Trans- portation	Petroleum	Mining and Smelting	Dis- tribution	Agri- culture	Mis- cellaneous	Total
Cuba.....	26,845	233,421	10,195	6,636	11,874	240,871	29,955	559,797
Other West Indies.....	-829(3)	9,891	54,760	1,324	820	45,189	2,981	114,136
Mexico.....	10,479	116,406	41,970	168,312	6,993	10,338	3,429	357,927
Central America.....	299	96,410	8,095	6,597	2,273	51,113	23,307	188,094
Argentina.....	79,075	222,106	(1)	(1)	24,358	.....	62,406	387,945
Brazil.....	69,536	112,451	30,717	(1)	17,875	(1)	9,530	240,109
Chile.....	6,544	121,371	(1)	276,777	4,579	.....	4,712	413,983
Colombia.....	1,263	25,788	75,090	(1)	3,263	(1)	6,212	111,616
Peru.....	4,998	11,097	(1)	20,182	3,040	(1)	42,280	81,597
Uruguay.....	5,705	(1)	2,429	.....	2,485	.....	299	10,918
Venezuela.....	498	8,481	249,679	(1)	2,364	.....	1,354	262,376
Other South America.....	5,135	(1)	(1)	(1)	1,829	.....	35,974	42,938
Total(2).....	209,548	962,029	572,084	512,432	81,753	359,116	74,474(2)	2,771,436

(1) Included under "Miscellaneous."

(2) The column totals include those items covered by footnote (1), which items, of course, are not included in the "Miscellaneous" column total.

(3) Liabilities in excess of assets.

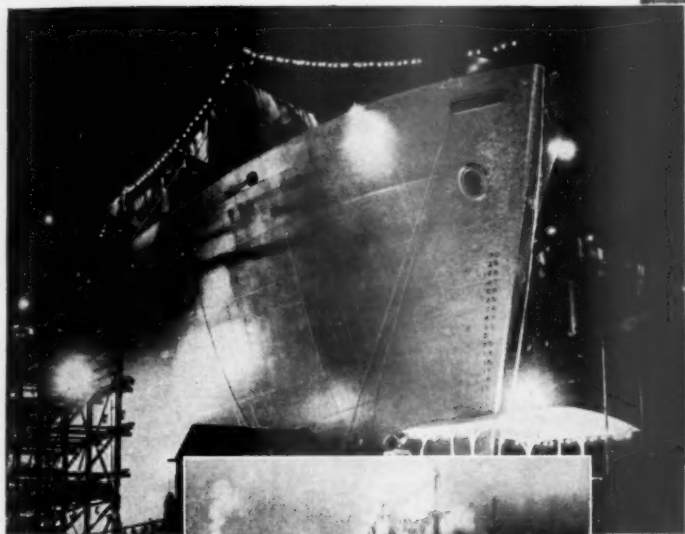
5000 GIANT CARGO PLANES A YEAR?

HERE'S WHERE MANY WOULD BE BUILT!

The Henry J. Kaiser proposal to solve America's world-wide shipping problem, by building 5,000 giant cargo planes a year, has electrified the nation! Many of these planes would be built in the Kaiser shipyards in the area served by The Oregonian. In the meantime, capable management, cooperative labor, and favorable conditions are making it possible for these yards to establish unheard-of shipbuilding records.



Changing shift at the shipyards. As the crew in the foreground goes off the job, the new crew comes on. This picture shows a portion of the Kaiser operation.



Pretty, aren't they? These are Kaiser-built, 10,000-ton Liberty ships.



The Kaiser plane-building proposal proves again that the prosperity of The Oregonian Market is more than a "for-the-duration" proposition. The combination of vast and varied natural resources, low-cost electric power, and ideal working conditions assures this region of permanent and increasingly important development. For the advertiser there is The Oregonian—the only Portland newspaper which provides area-wide market coverage.



This is The Oregonian Market—Oregon and the 7 Columbia river counties of Washington—a region of 105,000 square miles.

THE OREGONIAN

The Great Newspaper of the West • Portland, Oregon

REPRESENTED NATIONALLY BY PAUL BLOCK & ASSOCIATES

"MORE THAN A CITY NEWSPAPER... A PART OF THE LIFE OF THE REGION"

Save Metal for WAR MATERIAL



Elliott ALL-FIBRE Typewriteable ADDRESS CARDS

- are durable as metal.
- are easily stenciled in ordinary typewriter.
- will flex without remaining bent, so will not jam.

IMPORTANT: Write today on your business letterhead for free copy of *Elliott Addressing Machines in War Work*, a new booklet of certified case reports of how the Elliott System saves countless valuable hours in vital war industries.

THE ELLIOTT ADDRESSING MACHINE CO.
151 Albany Street, Cambridge, Mass.



Elliott

ADDRESSING MACHINES

NEW PRODUCTS

Illuminated Magnifier

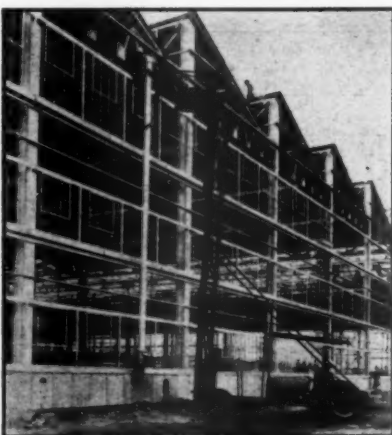
When the Boyer-Campbell Co., 6540 Antoine St., Detroit, brought out the electrically illuminated Super Sight Magnifier (BW—Jun.29'40,p36), it was entirely adequate for the general run of civilian small parts manufacturing and



assembly, inspection, first aid, etc. However, now that war work demands extra precision, hence calls for higher magnification, the company is introducing the No. 95ZC Super Sight with two magnifying lenses. The lower lens may be swung out of the way or detached when high magnification is not required.

Maintenance Elevator

General maintenance work and the installation of overhead wiring, lighting fixtures, sprinkler systems, etc., promise to be considerably expedited by the electrically powered "Victory Stacker," new 40-ft. telescopic portable elevator devel-

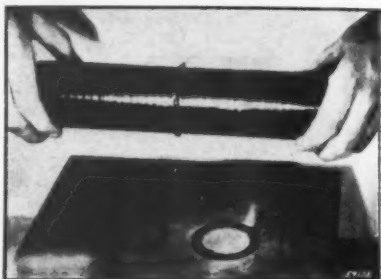


oped by Lewis-Shepard Sales Corp., 245 Walnut St., Watertown, Mass. Its lifting capacity is 1,500 lb.; its overall height 40 ft. 4 in.; its working platform 36x72 in.—large enough for two men, their tools, and materials. The stacker can be mounted on a power tractor as

illustrated, or be made to operate on its own wheeled base as a conventional stacker. Other sizes and capacities are available.

Weldable Plastic Pipe

Simultaneously with the announcement that Saran Plastic Pipe is being manufactured in the same dimensions as extra-strong steel pipe of 2-in. outside diameter and less comes news that two pieces of the pipe can be welded together in less than a minute. The ends are melted slightly on a hot plate heated to 350-400 F., pressed firmly together, allowed to cool for ten seconds. The



resultant joint is stronger than the pipe.

This new product of Dow Chemical Co., Midland, Mich., possesses high resistance to all liquids and gases except a few solvents, is nonscaling, does not burn, withstands sub-zero cold and heat up to 175 F. It can be cut and threaded with regular pipe-fitting tools.

Steel-Carcass Belts

Flexible steel wires are replacing conventional cotton cord and fabric in the carcasses of the new endless Goodyear Rubber V-Belts now being manufactured by Goodyear Tire & Rubber Co., Akron, Ohio, to withstand the heat and strain developed by the engines of military tanks and armored vehicles. After the war, the same principle will be extended to V-belts for heavy-duty industrial and automotive drives.

Meanwhile, Goodyear is putting together a 2,000-ft. rubber conveyor belt with steel carcass destined for early application in the transportation of ore.

MARKETING

Advertising Is Off

With exception of radio nets and industrial publications, all media show declines, but a midsummer pickup is noted.

As summer smoulders into fall, the men whose bread and butter is sliced out of the advertising dollar begin sniffing the air for the scent of new campaigns. Inevitably, they measure fall advertising prospects against the yardstick of actual advertising volume in the first half of the year.

• **Short Measure**—This year, for the first time since war entered the advertising equation back in 1939, the yardstick gives short measure. With the exception of network radio and industrial publications, all the major media show sharp declines for the first months of 1942 as compared with the same period last year. Here are some of the available figures:

Advertising in 57 national monthly magazines and groups, as compiled by Printer's Ink magazine, totaled 4,394,495 lines in the first eight months of 1942, against 5,010,101 lines in the same 1941 period—a decline of 12.3%. Similarly, advertising in 34 women's magazines dropped 3.9%, from 4,599,218 lines in January-August, 1941, to 4,421,189 lines in January-August, 1942.

• **Weekly Magazines**—The Printer's Ink weekly magazine lineage figures are available for the first seven months of the year. They show a 7.4% dropoff for 19 national weeklies (including Look, published biweekly), from 6,523,989 lines in January-July, 1941, to 6,043,168 lines in January-July, 1942.

There is no novelty in the fact that newspapers are hard hit. Never fully recovered from the depression and the onset of radio competition, newspaper advertising has shown losses in recent years even when other media prospered. Media Records' figures (based on 60 daily and 93 Sunday newspapers in 52 cities) show how sadly the daily press has fared this year.

• **Where Losses Come**—Biggest drop has been in that newspaper advertising generally classed as national lineage. A loss of 3.8% in general lineage, and a whacking 68.9% drop in automotive, average out to a total decline of 19.3% in national advertising for the first half of 1942 compared to the first half of 1941. All categories of local advertising—retail, financial, and classified—also suffered.

The slump in department store sales (BW-Aug.15'42,p13) was reflected in a 3.1% decline in retail lineage. Total

(BIG NEWS IN THE 90'S) BIGGER NEWS TODAY!

...and now, you'll find Hyatts in Cadillac, Buicks, Chevrolests, etc., as well as in farm machinery, industrial applications, and in today's mighty fighting equipment.

The Hyatt Roller Bearing

Some years ago John W. Hyatt, the well-known inventor in the celluloid line, undertook an exhaustive series of experiments with the object of producing a practical roller bearing. The result of these experiments was the Hyatt Roller Bearing, which from the time it was first placed on the market has been steadily gaining in favor as its merits as a friction saver become known.

The peculiar feature of the Hyatt bearing is that the rollers are both flexible and elastic, which contributes greatly to its durability and decreases the friction of the bearing. When under a load the pressure is automatically distributed over a number of rollers. On this account it is not necessary to harden the rollers and the surfaces with which they come in contact, as is the case when solid rollers are used.

Wherever thoroughly tested these rollers have fully borne out the claims of the manufacturers. They are being successfully employed in shafting of all kinds, street cars, bicycles, wagons and high speed machinery of all kinds.

Quite a number of motor inventors have adopted them for axle bearings, finding friction greatly reduced.

The Hyatt Roller Bearing Company have a factory in Newark, N. J., at 450 Market Street, and a New York office at 133 Liberty Street, where they will be pleased to see those in search of further information.

HYATTS CERTAINLY HELPED TO MAKE IT THAT WAY!

BUT HOW THESE BEARINGS HAVE IMPROVED IN DESIGN AND CAPACITY OVER 50 YEARS! WHAT A PRECISION BEARING HYATT IS TODAY!

THIS OFFER STILL GOES! DROP IN...OR DROP A LINE ANY TIME TO HYATT BEARINGS DIVISION, GENERAL MOTORS CORPORATION, HARRISON, NEW JERSEY, WHERE FACTORY AND OFFICES ARE NOW LOCATED.

THE 50TH YEAR OF

HYATT

ROLLER BEARINGS

1892-1942

newspaper advertising (national and local) came to 595,954,797 lines in the first six months of this year against 651,614,497 lines last year—an over-all loss of 8.5%.

• **National Networks**—Total revenue of the four national networks—Columbia Broadcasting System, Mutual Broadcasting System, National Broadcasting Co.'s Red, and the Blue Network Co.—was sticking at the half-year mark to the steady 10% rate of gain it maintained throughout 1941.

The sharpest increases were registered by the two youngest networks, Mutual and the Blue. For the first six months, Mutual's revenue was up 79% (on the basis of one-time card rates), the Blue's some 21%. NBC-Red came out fractionally short of 8% ahead of '41, while CBS just held its own with a gain of slightly better than 1%.

• **Other Categories**—No figures comparable to those on national advertising in magazines, newspapers, and network radio are available for business papers and outdoor advertising. The magazine Industrial Marketing estimates that advertising space in 118 business papers was 5.1% greater in the first six months of '42 than in the first half of '41. All of this increase is attributable to 88 industrial publications—up 9.7%. Advertising in 18 trade, or dealer, papers dropped 15.7%, while 12 class (service) publications showed a decrease of 8.03%.

Outdoor Advertising, Inc., reports that national advertisers' billings for outdoor display space were off 10% for the six-month period.

• **Upswing Noted**—Thus, except for the large bright spot of network radio and the much smaller bright spot of industrial publications, the advertising picture appears pretty bleak at the half-year mark. Actually, there's more room for optimism than the over-all figures indicate. Notably, magazine and newspaper advertising has been picking up in the past couple of months. Space salesmen believe this upswing will gain momentum in early fall issues.

While lineage in national magazines showed a 12.3% decline for the eight-month period, August lineage is 0.2% ahead of '41. Weeklies showed a substantial 9% gain for July—747,202 lines of advertising in '42, against 685,552 in '41. Lineage in women's magazines slumped 6% in August, somewhat more than the over-all decline for the eight months, but in this classification advertising rate boosts go a long way toward offsetting lineage losses.

• **Newspaper Pickup**—Total newspaper lineage is up 0.7% for July over the same month last year. Most of the gain is attributable to a good showing for general and retail advertising, up 6.8% and 6.3% respectively. Automotive lineage is off 25.5%, but this is a considerable improvement over the sorry 64% loss for

the first six months. Financial lineage is down 14.4%, classified 10.2%.

The explanation of this advertising performance—the sharp slump at the beginning of the year and the encouraging midsummer pickup—is obvious. America's entry into the war with its immediate effect in the curtailment or stoppage of production in a host of civilian goods industries knocked advertising schedules galley west.

• **Readjustment**—By now, however, sufficient time has elapsed for a measure of order to emerge from the general chaos. Companies which no longer have goods to sell—manufacturers of tires, automobiles, heavy appliances—have had time to adjust themselves to wartime realities, substitute institutional and goodwill themes for sales campaigns to hold on to postwar markets.

Companies afflicted by more temporary materials shortages are getting ready to promote substitute packages and products. For example, canned soup advertising slumped during the general confusion over tin curtailment; indications are that it will be back this fall bigger and better than ever before.

• **Barbs of Fate**—Not all media were equally hard hit by the advertising recession at the first of the year, and not all will share equally in the improvement.

Magazines which have depended heavily on a single source of revenue are in a precarious spot, since their sufferings are in proportion to those of their major advertisers. Thus travel publications can almost be classed as war casualties; outdoor and sporting magazines are hard put. Magazines in the so-called "shelter" group have suffered from the loss of

durable goods and building industry advertising, though they are trying hard to diversify, making a big play for food accounts (BW—Dec. 6 '41, p. 88).

• **Monthly Magazines**—The big general monthlies—American, Cosmopolitan, Red Book—suffered sharp losses at the first of the year, but their advertising appeal is sufficiently diversified so that they are now pulling out handsomely. Their backers believe that since they are heavily loaded with "escapist" literature, they will become more, rather than less, popular as the war goes on.

The general weeklies—Saturday Evening Post, Collier's, Liberty—heavily dependent on automotive advertising, were harder hit than the monthlies. They are likely to get a good share of the institutional automotive and durable goods copy which is now trickling back, and their showing should improve materially in the next few months. Over the long pull, however, they have a specific problem: they're competing for nickels and dimes with the fast-growing weekly picture and news magazines.

• **Counting Pages**—Witness the recent boast of Time magazine in trade papers ads that, at the end of the first six months of '42, it led all national magazines in number of advertising pages—1,310 at the half-year mark, according to Publishers' Information Bureau figures. Life was runner-up with 1,307. The Post was third even though it does not carry liquor advertising which accounted for most of the margin of leadership held by Time and Life. Business Week was fourth with 1,125 pages. The Post, always the leader until recently, lost 25% in advertising space over the

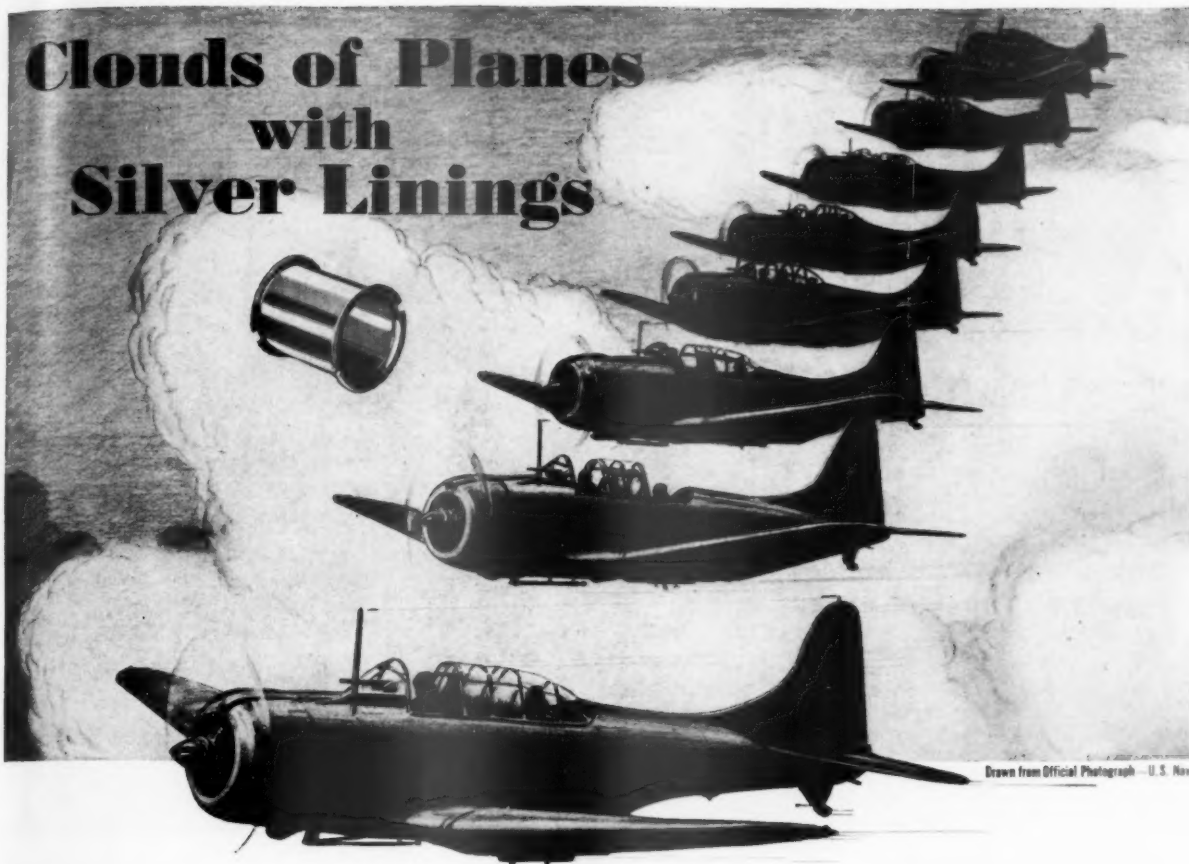


MOBILE OPA BOARD

San Mateo County, Calif., just south of San Francisco, has a price and rationing board on wheels. Instead of traveling from five to fifty miles on precious tires to a rationing headquarters in the town of Half Moon Bay,

the 3,500 people in the area are served by a mobile unit which visits them regularly every Wednesday. Portable files are simply loaded into the station wagon, and the executive secretary and a volunteer worker set out on a trip on which they stop at three villages and cover 150 miles.

Clouds of Planes with Silver Linings



Drawn from Official Photograph—U. S. Navy

Why are American warplanes making so brilliant a record on sky-front after sky-front? One reason is their power . . . the thousands of "horses" built into modern aircraft engines. High horsepower and seven-mile-a-minute speeds, however, have made it tough for the engine designer. He's had to worry particularly about the endurance of engine parts . . . because when a pilot really "gives 'er the gun", bearing pressures become so high that bearing surfaces are subjected to terrific pounding and fatigue stresses.

Mallory has supplied the answer to an engine designer's prayer . . . literally

a silver lining for the clouds of warplanes now filling the skies of America and on Allied battle-fronts. The Mallosil Process . . . Mallory's perfected method of bonding precious metals, such as silver, to base metal backings . . . has made it possible to pro-

vide a tough, homogeneous, heat-dissipating silver surface for aircraft bearings, bushings, pinion-races, gear supports and other vital parts.

Result: These aircraft engine parts, machined and Mallosil-ed by Mallory, can withstand today's heavy horsepower loads . . . and tomorrow's heavier ones!

The Mallosil Process has found many other applications . . . from headlight switches to solenoid contacts. But the development of Mallosil, and its use with many metals and alloys, is just one achievement by Mallory metallurgists. They have also improved electrical contacts

and resistance welding electrodes, in design and materials. They have helped Mallory engineers to create alternate . . . and often better . . . electronic parts such as switches, noise filters, condensers and rectifiers . . . when the shortage of raw materials made redesign essential to meet high military standards.

Interesting and important things are happening in Mallory laboratories. So important . . . to so many industries . . . that it will pay you to keep Mallory in mind as you face today's problems of production and design . . . and tomorrow's! P. R. Mallory & Co., Inc., Indianapolis, Ind. Cable Address "Pelmallo".



MALLORY

SERVES THE AERONAUTICAL, AUTOMOTIVE, ELECTRICAL, GEOPHYSICAL, RADIO AND INDUSTRIAL FIELDS WITH . . . ELECTRICAL CONTACTS, WELDING ELECTRODES, NON-FERROUS ALLOYS, POWDERED METAL PRODUCTS AND BI-METALS . . . RECTIFIERS, DRY ELECTROLYTIC CAPACITORS, SPECIAL HIGH RATIO ANODE PLATE CAPACITORS, VIBRATORS, VITREOUS RESISTORS, POTENTIOMETERS, RHEOSTATS, ROTARY SWITCHES, SINGLE AND MULTIPLE PUSH BUTTON SWITCHES, POWER SUPPLIES, BATTERY BOOSTERS AND CHARGERS

WHO NEEDS PAPER GADGETS for his WAR CONTRACTS

War contracts bring involved sets of specifications. Maybe you have never had to consider a paper component in your peacetime product. But maybe today it's a different story. If so, turn for help to Dennison. For in addition to making its familiar tags and labels, Dennison has facilities for working paper into an infinite variety of articles. Here are examples:

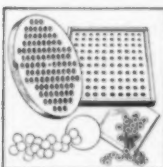


FLARE PARACHUTE PARTS. Parachutes for flare shells are machine sewn from special parafflare tissue paper. Spacer and pilot discs keep cords of another type of parachute from

tangling. These are of heavy binders board, punched, and in the case of the larger disc, are brass eyeleted and then paraffined.

BOMB & MINE TAGS.

The round instruction tags for bombs and mines are metal rimmed for extra strength. One has a metal ring fastening device. Oblong tag carries cotter pin strung through a reinforcing metal eyelet. These are modifications of Dennison stock tags.



SHELL ASSEMBLY PARTS. Round detonator tray is constructed of cardboard discs, square one is varnished wood. Fuze parts, primer discs, washers and powder separators

are made from such stocks as felt, onion-skin, foil, newsboard, cork. Processes include laminating, perforating and diecutting.

SET-UP BOXES.

Dennison set-up boxes package many a high priority item. Sketched is one with a patented hinge to hold steel taps, one with a slotted platform to hold a surgeon's knife, and one with dividers to cushion and protect fragile glass drug ampoules.



If you have a paper-converting problem write Dennison today. Offices in all principal cities.



END IN SIGHT

Golf stars Patty Berg and Gene Sarazen look on as the finishing touches are put on the last golf club to roll off

the production line for the duration at the Wilson Sporting Goods Co. plant in Chicago. A government ban has stopped manufacture to conserve metals.

six months compared to a loss of 7% for Life, 10% for Time and a gain of 18% for Business Week.

Of the four big women's magazines—Good Housekeeping, Ladies' Home Journal, McCall's, Woman's Home Companion—only the Journal has shown a gain this year. So far, the wartime production problems of the food, drug, and cosmetic companies which are the revenue mainstay of the women's group center chiefly around packaging. Thus, advertising lapses in these categories are assumed to be mostly temporary.

● **As Never Before**—With few exceptions, the publications aimed at the wage-earning groups, which have benefited most from wartime income increases, are prospering as never before. Virtually all movie, romance, and detective magazines show sharp increases.

Recovery prospects are not quite as good for newspapers as for magazines. For one thing, with the exception of a few big city papers, the daily press gets comparatively little institutional advertising, and newspapers probably will not get their share of such automotive and durable goods' advertising as is now creeping out of the storm cellars. Outlook now is for newspaper advertising to continue at about last year's level or somewhat lower, with fluctuations in response to the temper of retail sales.

● **Networks' Position**—Network radio is in exactly the opposite position. In addition to its ever-flourishing soaps and cereals, radio is pulling in more and

more institutional advertising, may well end up with more automotive and durable goods' business than it had before the war. When Ford and General Motors pulled out of their post-Pearl Harbor slump and started looking for a means of keeping goodwill alive, both picked big network programs (BW—Jul. 4 '42, p. 69).

Not content to rest on their laurels, the networks are busy arming themselves with even more powerful sales tools. Notably, following the lead of the Blue, all the national networks have now instituted a special discount for advertisers using their entire facilities, or progressive discounts for increased station usage.

● **Creating a Habit**—The Blue has a couple of other interesting sales tricks up its sleeve. One is getting advertisers on the air six or seven days a week, the idea being to create a listening habit which can compete with the big variety shows on NBC and Columbia. Ford, Socony-Vacuum, and Coca-Cola have signed up with the Blue on this basis. The Blue's other idea, "teamed sponsorship," is aimed specifically at advertisers who no longer have goods to sell.

What it all adds up to is this: Barring another catastrophe of Pearl Harbor proportions, advertising prospects for the next few months are better than most prognosticators would have dared hope a half year ago. Exceptions are most newspapers, outdoor advertising, and a few specialized, trade,

Here's a timely nutrition program that and help your War Production Drive!



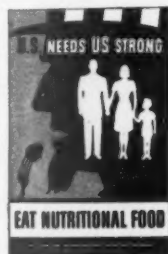
Teach Better Nutrition. Members of "H for V" Clubs meet monthly. Home economics provided by co-operating local utility companies conduct all meetings. Using colorful charts and other dramatic material developed in the Westinghouse, they explain the principles of health benefits of better nutrition. And conduct actual demonstrations to emphasize the vitamin-retaining advantages of proper cooking.

Women Buy for Balanced Menus. At each meeting, "H for V" Club members are given ready-made menus for every meal in the following month. Included are daily suggestions for husky, nourishing lunch box meals, which help war workers to guard against mid-shift letdowns in efficiency. Such nourishing foods that are plentiful and inexpensive are considered and all menus and recipes are designed for weekly food budgets of around \$14 to \$16 for a family of five people.

Workers Get More Nutritious Meals. "H for V" Club members learn proper ways to cook foods to retain vitamins—using kitchen equipment they now own. Recipes for all but simplest dishes included in recommended menus are provided and possible "equivalents" for scarce foods are suggested. Thus, "H for V" supplies women practical help for their everyday problem of providing low-cost, vitamin-rich meals to keep workers physically fit and on the job.

75 WAR PLANTS QUICKLY ADOPT "H FOR V"!

From coast to coast, top executives and labor-management committees in 75 vital war plants have quickly recognized the far-reaching benefits of "Health for Victory"—have taken personal interest and an active part in the activity, encouraged wives and workers to join the "Health for Victory" Crusade. Each mail brings new inquiries and other war plants anxious to start their own "H for V" Clubs are being added daily.



WRITE TODAY FOR FULL DETAILS

You can help the National Nutrition Program while benefiting your employees and your War Production Drive, too, by organizing a "Health for Victory" Club in your war plant. The cost is small. Write for complete information. No obligation on your part, of course.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO.
260 East Fourth Street • Mansfield, Ohio

"HEALTH FOR VICTORY"—a contribution to America's war effort by

Westinghouse

ELECTRIC HOME APPLIANCE DIVISION

and class magazines. The long-term picture depends on two factors: (1) how long the war lasts; (2) the postelection attitude of Washington—whether the Treasury and other government bureaus continue to hold that a reasonable amount of advertising is a legitimate wartime business expense.

A long war inevitably will entail deeper and deeper cuts in consumer goods production. Foods, drugs, toiletries, tobacco—industries which have thus far suffered comparatively little or not at all—will feel the ax. Even if more materials shortages do not develop, the war's greed for manpower and womanpower will take their toll. Soap makers, because of the war's need of their by-product, glycerin, are in a singularly enviable position, but even they may run up against packaging snags.

• **As Regards Goodwill**—While institutional advertising can be counted on to take up some of the slack, any advertiser knows that it takes less money to maintain goodwill and keep his trademark burnished than to put on a hard-hitting, competitive sales campaign.

And keeping your business name alive when you have nothing to sell for one or two years is by no means the same as hanging on for three, or four, or five years.

Some media experts suspect that, when their cuts come, manufacturers of packaged foods, cosmetics, and such will be less prone to indulge in institutional advertising than durable goods' makers.

• **A Difference**—It's one thing to keep the name of an automobile or refrigera-

tor alive when millions of these are likely to survive the war, battered but still running. It's another to do the same job for a package of breakfast cereal or tube of toothpaste, which can expect only a few weeks on the kitchen or bathroom shelf.

It may even be that some of the advertising agencies which have been bemoaning their heavy load of automobile, tire, and refrigerator accounts will make out better in the long run than those with a fistful of foods and face powders.

Bond Promotion

Merchandising methods in the form of "bond breakfasts" and instalment sales are used to push sales of certificates.

To make war bond buying as painless as possible for the citizen who lacks the ready cash to plunk down \$18.75, \$37.50, or whatever at the nearest bank or postoffice—or who won't take the trouble without a little propulsion—the Treasury Department has sanctioned a host of selling schemes. These range from such familiar and straightforward plans as war savings stamps and payroll deductions to techniques with a distinct Barnum-plus flavor.

Currently, the Treasury is paying particular attention to a couple of bond selling programs thought up by private

individuals. One program—bond breakfasts—already has proved itself a sure fire magnet for luring upper-bracket income tax payers into heavy bond purchases. The other—selling bonds across retail counters on the instalment plan—is now getting its first tryout in Philadelphia.

• **Mr. Blach's Idea Clicks**—Bond breakfasts are the brainchild of Harold B. Blach, Birmingham, Ala., department store executive. Blach staged his first breakfast for people in his home town who bought bonds in large denominations—at least \$1,000,000 worth in the aggregate. It wasn't strictly a testimonial affair, for the bond buyers also paid their own meal checks. In Birmingham the bond breakfast drive netted \$2,100,000; in Atlanta, Ga. (where Mr. Blach went at his own expense to help stage the stunt) it brought in \$3,300,000; in Chicago, \$1,800,000.

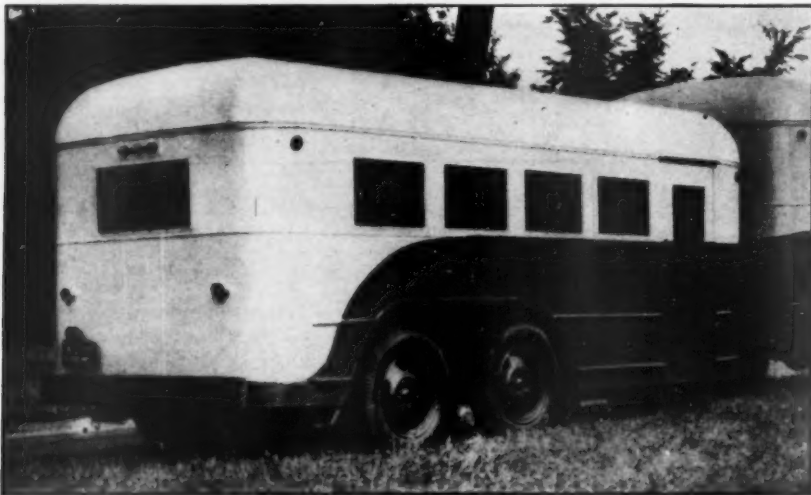
With sundry variations, the bond breakfast idea has now caught on from coast to coast. In Detroit, for example, N. S. Shapiro, of the Cunningham drug stores, staged a "bond dinner" at the swank Franklyn Hills Country Club, and 400 members came to wine, dine, and buy \$386,000 in bonds. The Treasury is anxious to see bond dinners more widely promoted in clubs. Mr. Blach has issued a manual, telling civic minded people how to engineer bond breakfasts.

• **An Employees' Contest**—Bonds on the instalment plan are the invention of Lit Brothers department store in Philadelphia. In June, Lit Bros. executives decided that their letter of credit plan would be an excellent vehicle for offering bonds to people with little ready cash. The bond's denomination, amount of the original deposit, and the number of payments were left to the customer's choice. Each bond buyer was given to understand that the entire amount paid in would be returned in war savings stamps or cash on demand at anytime before the final payment.

The instalment scheme was needed into a storewide bond-selling drive. In July, Lit Bros. 3,000 employees (egged on by \$1,400 of prizes in bonds and stamps) sold a total of \$763,869 of bonds and stamps. Of this, \$93,340 worth were sold on the instalment plan to 2,353 takers. Some 60% of the credit purchases went toward \$25 bonds; 30% for \$100 bonds; 10% for \$50 bonds.

Lit's doesn't know how many of its credit bond buyers will stick. Urged on by the glitter of prizes, clerks indulged in a good deal of high pressure selling—much of it after hours to people who were not regular Lit Bros. customers.

• **Crossed Fingers**—Treasury agents are not yet convinced that a sizable segment of the public would rather buy bonds on the instalment plan than pile up war stamps, consequently they are



PLYWOOD TRAILER

A possible answer to Cleveland's public transportation problem is the plywood trailer-bus built by Shult Trailers, Inc., of Elkhart, Ind., according to Walter J. McCarter, general manager of the Cleveland Transit System. The bus has an auto haulaway trailer

chassis, and the body structure is principally of plywood, with 5% steel and no other critical materials. The bus has a rated capacity of 32 seated passengers and 15 standees, and will cost about \$2,000, a quarter of the cost of a regular 32-passenger bus. If the present test runs are successful, the city expects to buy a fleet of these buses.

This Sentry Never Sleeps

...but is constantly on the alert, guarding power that turns the wheels of production... in factories... in shipyards... in oil fields... power that is helping to give our men at war the weapons they need for victory.

Looming larger in importance every day as sources of this production power are thousands upon thousands of gas, gasoline and Diesel engines. Readily adaptable to many applications and to stationary or mobile mountings, these internal combustion engines are doing much to prevent a power shortage which might interrupt the vital flow of war materials.

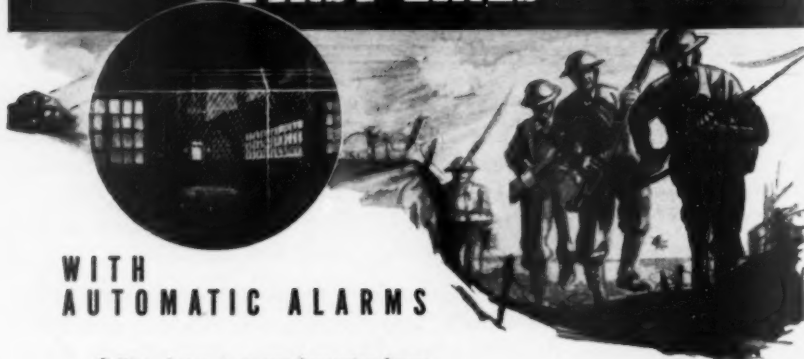
Penn engineers have developed a dependable automatic "sentry" which guards these important engines from breakdown or damage. If, for any reason, the oil pressure drops dangerously low, or the bearings become overheated, or the cooling water system fails, this safety control sounds an immediate alarm, or, if desired, will shut down the engine. Thus a relatively simple fault is instantly discovered and may be corrected before damage to the engine or extended interruption of operation takes place.



Penn automatic engine controls are easily installed. They may be obtained on new engines or quickly applied to engines now in service. They provide low-cost power protection and conserve the engine operator's time, thus releasing "man-hours" for other needed tasks. If you use internal combustion engines, you need complete information now. No obligation—write today for catalog E-100. Penn Electric Switch Co., Gosben, Indiana.

PENNA
REFRIGERATION, AIR CONDITIONING, ENGINE,
CONTROLS
HEATING, PUMPING AND AIR COMPRESSOR

Making FENCE LINES of Defense FIRST LINES



WITH AUTOMATIC ALARMS

● That sabotage is an ever-threatening danger to vital American industries, is evidenced in amazing disclosures made recently by the F.B.I. High wire guard fences, surrounding such plants and properties can now, with the fool-proof protection of A.A.I. Automatic Alarms, become your first line of defense. Any attempt on the part of saboteurs to cut through, climb over or under a fence so protected, is instantly detected by tiny robot sentries, or detectors, which automatically give instant warning by both visible and audible signals and dispatch guards to the actual zone of danger. Here is modern protection at its best. A.A.I. Automatic Alarms, while relatively low in cost, operate with unfailing accuracy, multiplying many times the efficiency of human guards in patrolling miles of fence line even during blackouts, storm and fog when danger is greatest. Safeguard your industry with this modern type protection.

Licensed under DuPont
and Atomic Patents



Explanatory Literature Is
Available upon Request

AUTOMATIC ALARMS Incorporated
825 Market Street YOUNGSTOWN, OHIO, U. S. A.

Speed up production management



"JONES, HOW
SOON CAN
WE HAVE
THAT AUGUST
PRODUCTION
REPORT?"

with **INSTANT
TWO-WAY
CONVERSATION**

You flip a key and talk instantly with any individual when you use BELfone. You get immediate action on your ideas, orders, and questions. You can also confer with any number of department heads simultaneously, without anyone leaving his desk! No waiting for messengers; no wasted steps; no switchboard tie-ups; no delays. This instantaneous contact between departments is one of management's biggest aids in speeding production! Standard BELfone units provide for any inter-departmental call system you need or want. You can have any number of stations, with individual desk units or loudspeakers.

Make this timely investment in efficiency now. Installations are made quickly; prices are moderate; operating costs are negligible. Write for full details on BELfone equipment, or see your dealer, today!

BELfone
Intercommunicating
SYSTEMS

YOU SAVE STEPS

YOU AVOID DELAYS

YOU GET MORE DONE

BELL SOUND SYSTEMS, Inc.
1187 ESSEX AVENUE, COLUMBUS, OHIO
EXPORT OFFICE: 5716 EUCLID AVE., CLEVELAND, OHIO



holding off a bit before advocating adoption of the plan by other stores.

There's also another point that bothers the Treasury: If the plan should become national in scope, how could sharp merchants be kept from employing various ruses to convert stalled bond accounts into down payments on merchandise instead of refunding cash on stamps.

WAR WORKER MAGAZINE

Plus, new monthly magazine for bulk distribution to workers in war plants will combine the features of general fiction and news publications, will be loaded with pictures, and will have a strong house organ flavor. Backed by the Copiflyer Lithograph Corp., Cleveland, and edited by F. Orin Tremaine, who was once with Street & Smith, Plus does not carry the government's official blessing. But it's being welcomed by the War Production Board as a means of reaching the men on production lines.

A selling price of 15¢ was printed on the prepublication review copy of Plus. This was a mistake. The present plan is to sell Plus in bulk (at about half the originally indicated price) to manufacturers, who will distribute copies free to their employees.

For the duration, Plus will carry no advertising. Its backers do not expect to make much money on this basis, but they do expect to break even. Editor Tremaine hopes that, by the end of the war, Plus will be well enough established to strike out for itself in the general magazine field, advertising and all.

All Plus covers will be drawn by James Montgomery Flagg, reproduced in four colors.

USE FOR USED HOSIERY?

When the silk stocking furor was at its height last summer, the trade magazine Knit Goods Weekly gave impetus to a nationwide campaign to collect used silk stockings for re-use in powder bags. Then OPM burst Knit Goods' bubble with a flat announcement that used silk stockings were no good for anything (BW-Sep.13'41,p18), and the whole idea died down.

Now OPM's successor, WPB, may do an about-face. There are strong hints from Washington that, in a pinch, used silk stockings may be O.K. for powder bags after all, and a campaign to collect them from consumers is not unlikely.

Moreover, E. I. du Pont de Nemours is now offering to buy up manufacturers' stocks of nylon waste to fill government orders for military equipment. If manufacturers do not relinquish the waste voluntarily, WPB is likely to move in. Removing nylon waste from civilian goods production will hit the flourishing business in spun nylon stockings and the new nylon fleece.

LABOR

No Temporizing

Two cases show clearly that NWLB's authority will be upheld regardless of whether labor or management is irked.

The Administration made it plain this week that the time for temporizing with war production stoppages, caused either by labor or management, is drawing to a close. Two cases in a single week demonstrated that the authority of the National War Labor Board will be sustained by the President, with all his powers as commander-in-chief.

By coincidence, rather than design, the cases offered a show of impartiality: Labor was cracked down on in one case; management was blamed in the other.

• **Bayonne Incident**—The first case involved the General Cable Corp.'s Bayonne (N. J.) plant, where 1,000 men struck in plain defiance of an NWLB ruling denying them a general wage increase because of the President's wage stabilization program (BW—Aug. 15 '42, p. 5). The President acted promptly. He commandeered the plant, told the Navy to run it.

The insurgent strikers sought to transform this defeat into victory. They trooped back to work, shouting that they were glad to work for "Uncle Sam, our new boss."

However, the Administration was expected to make it crystal clear that labor, not management, was to blame; that the naval occupation was only temporary; that the plant management would be retained during the government-operation and that the company would receive the profits. It was believed likely that some of the strike leaders, who persisted in the walkout despite the pleas of their own union and the government would be disciplined.

• **Boston Case**—Seizure of the S. A. Woods Machine Co., Boston, was effected this week under circumstances where the company would not get the profits because of the refusal of its president, H. C. Dodge, to accept an NWLB decision ordering a maintenance of membership clause.

The employer members of NWLB, in an unprecedented public attack by management on management, told Mr. Dodge that "your refusal to obey the decision of this board is a refusal to obey the orders of the President of the United States, commander-in-chief in time of war." When Mr. Dodge refused to reconsider, they joined other NWLB members in asking the President to act.



Things happen on an assembly line when you get **LIGHT FROM YOUR FLOOR**

WAR PLANTS GET RID OF SHADOWS IN WORK AREAS

...with a floor that reflects light!

White Cement floors increase the intensity of illumination throughout plants and conserve critical materials. In addition, they provide more light on the under side of assemblies.

ENGINEERS have found a new way to increase light intensity. And the answer lies right under your feet as you walk along the assembly line.

Floors are the new source of light—white cement floors that absorb less and reflect more light—floors that retain a high reflection value indefinitely. In one factory, they reflect 60% more light than the gray cement floor in the same plant, and increase lighting intensity on a vertical plane more than 20%.



• White cement floors light up dark areas under wings on assembly line of one of Uncle Sam's larger aircraft plants.

In airplane plants—at Boeing, Consolidated, Douglas, and North American—these white cement floors help to keep production in high gear. Employees work easily on the under sides of wings and fuselages with less strain and fatigue. Accidents are fewer. Morale is higher. Planes roll out faster to help win the war.

Light-reflecting floors are easy and economical to maintain. They will improve lighting standards in most types of buildings. Send today for booklet giving detailed information on increase in illumination, installation and maintenance. Universal Atlas Cement Company (United States Steel Corporation Subsidiary), Chrysler Building, N. Y. C.



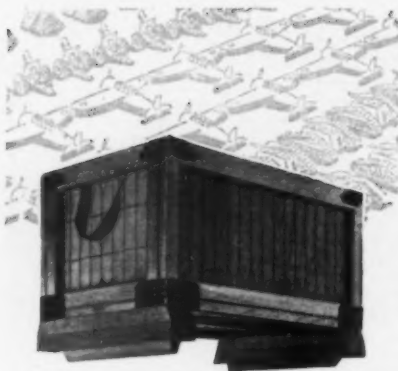
• The white cement floor (left) reflects 60% more light than the gray cement floor (right) in this plant. This increased lighting intensity on a vertical plane more than 20%.

IF YOUR FLOORS ARE WHITE, YOUR PLANT GETS MORE LIGHT

LIGHT-REFLECTING FLOORS

MADE WITH ATLAS WHITE CEMENT





The LEWIS SKID BOX

This war of production is throwing aside hide-bound methods in nearly every war factory. Many material handling systems that have "grown" liked Topsy are being revamped and modernized by the installation of Lewis Skid Boxes. These long-life, low cost boxes combined with a power lift truck are saving time and labor—stepping up production—and lowering handling costs in more and more war production plants. Of nearly 90% non-strategic materials, these boxes are the real solution to your war production problem . . . To save time, please send full information with your inquiry.

G. B. LEWIS CO., Dept. W8, Watertown, Wis.

LEWIS
INDUSTRIAL CONTAINERS

POWER TRANSMISSION



POWER at the production machine means weapons for our war machine—all along the industrial front Dodge power transmission equipment is delivering power, smoothly, economically, without waste, on round-the-clock production schedules.

The Dodge complete line of power transmission equipment assures industry "The Right Drive for Every Job." Dodge engineering advice and assistance assures industry the best application of Dodge equipment to the job.

DODGE MANUFACTURING CORPORATION
Mishawaka, Indiana, U. S. A.

Tool-Die Freeze

Stabilization conference is in prospect at last as a result of spiraling of wages and pirating of labor in Detroit area.

Sidney Hillman's failure in February to conclude a general agreement on wages throughout Detroit's booming tool and die industry left the door open for increasing instability in one of the nation's most important war activities (BW—Feb. 28'42, p62). Everybody has been making so much money that the lid never has been quite blown off the situation. But the rising tide of complaints of labor pirating and spot demands for wage increases has finally brought action from government agencies concerned.

• **Freezing Planned**—Under a joint request by the War Labor Board, the War Manpower Commission and WPB, wage rates, hiring, and firing are to be frozen pending the outcome of a projected management-labor conference to seek a stabilization formula.

Several potent factors have kept the tool and die trade in the jitters since Hillman left town. The major point at issue then—equalization of rates in corporation tool plants and the job shops—was never resolved. Rates in job shops, which in the past have bulged with work at peak seasons, while at slack times they have been forced to lay off employees, remain 15¢ to 20¢ an hour higher than for comparable work in the big corporation plants where a greater continuity of employment has always been assured. When the flood of war orders gave job-shop workers the same guarantee of sustained employment, tool and die men in the big companies sought a pay increase. General Motors led the fight against raising captive shop rates to the jobbing scale, claimed it could get plenty of men.

• **Contract Disputes**—Almost immediately G.M., later Ford and Chrysler, became involved in contract disputes before the War Labor Board, and the question of captive shop rates has not been settled. In the competition with the job shops for men, the captive shops have undoubtedly suffered, although for a time it appeared they would not (BW—May 16'42, p39).

On the other hand, established job shops have not been free of labor raiding. Total tool and die employment throughout the Detroit area has soared from approximately 25,000 men in February to an estimated 40,000 now. Approximately 25% of these are employed in major jobbing plants affiliated with the Automotive Tool & Die Manufacturers Assn., which has been forced to make two general rate increases since a

year ago, and which now has a further wage demand before a panel of the War Labor Board.

• **U.A.W.-C.I.O. Demands**—Latest demands of the U.A.W.-C.I.O. tool and die locals, which have contracts with most of the A.T.D.A. member plants are: (1) a 15¢ blanket increase; (2) a 15¢ increase in minimum rates; (3) a bonus of 20 hours' pay for each three months employment for employees with less than two years service, and of 80 hours' pay for one year's service and over; (4) a 10¢ premium for night work, and (5) the union shop.

These increases are demanded on top of present high hourly rates. Typical average hourly rates for various classifications are found to be: gage makers, \$1.90 an hour; boring mill operators, on jig work, \$1.80; grinders on gage work, \$1.70, with the average for all skilled men running about \$1.65 an hour. Recently, the association's plants dropped to a six-day week, with two ten-hour shifts, on the basis that production would not suffer.

Significantly, the union's demands do not point to any clearing up of the differential between the job shops and the captive shops.

• **Alley Shops Lure Men**—Pirating of help has been vicious throughout the tool and die industry because new rush tooling programs are constantly being let as new contracts are placed with Detroit war plants. With existing facilities unable to digest an unprecedented volume of work, the overflow has nourished hundreds of little alley shops into plants employing 50, 100, or 200 men. With price no object to customers, these shops have been able to pay super rates to entice highly skilled men away from the established vendors.

The unions have protested against the freezing proposal, saying that wage stabilization should come first. They feel no responsibility for keeping wages down because their original demands were not heeded in February.

• **Union Methods**—Employers complain that unions have developed some clever stunts to avoid being charged with forcing wage increases. One method is to call an employer before government conciliators.

Another, which is hard to detect, is that of hitting the "soft spots" and forcing the shop owner to give in. For example, all boring mill operators in a shop will suddenly decide to bargain for themselves without benefit of the shop steward, then quit if their demands are not met. The plant can't run without these key men, finally grants an increase, which must be extended to all other worker classifications. Either way, a general increase is put across, which serves to create unrest in other plants.

• **No Price Ceiling**—Key to the situation lies in the fact that there is no price ceiling for tool work in Order 136



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That's because production is speeded at the big Lockheed plants on the West Coast by the faster inter-plant handling of material by Trailers. Minutes and hours gained here and there in production mean precious days and weeks gained in the delivery of these war planes.

Lockheed's fleet of Fruehauf Trailers, which started with three units in 1939, performs many tasks, most of which could not be handled in any other way.

FOR EXAMPLE—

Material must move swiftly and regularly, day and night, between the No. 1 and 2 plants, 19 miles apart over a traffic-congested route. Trailers, hauling about 8,000 pounds each and working on a "shuttle system", make nine round-trips per day and help keep the assembly lines fed. "Shuttle system" means that one truck-tractor handles three Trailers . .

truck and driver are always busy pulling one Trailer while the others are being loaded and unloaded at the two plants.

OTHER ADVANTAGES

Still more precious time is saved by the Fruehauf automatic coupling . . the driver couples the Trailer to his truck, or uncouples it, without leaving his cab.

Maneuverable? Truck-Trailers worm through lanes inside the plant where trucks big enough to carry such loads couldn't move.

Versatile? They carry a multitude of items . . wings, propellers, engines, patterns, wing jigs, etc.

Economical? There has been only nominal maintenance.

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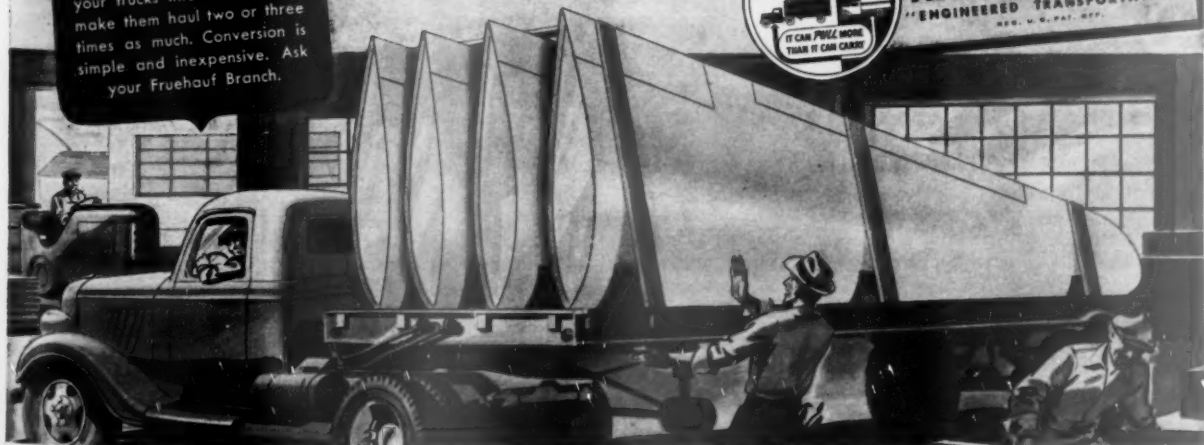
- Since a truck, pulling a Trailer, can haul far more than it is designed to carry, fewer trucks are needed.
- A Truck-and-Trailer combination uses about 16% less weight of tires and 25% less steel and other metals than do the 2 trucks required to carry the same payload.
- A truck, with a Trailer, uses far less fuel than the one large truck or several small trucks it replaces.

Convert

your trucks into tractors and make them haul two or three times as much. Conversion is simple and inexpensive. Ask your Fruehauf Branch.



FRUEHAUF Trailers
"ENGINEERED TRANSPORTATION"
REG. U. S. PAT. OFF.



TRUCK-TRAILER TRANSPORT IS DOING AN ESSENTIAL JOB FOR ALL AMERICA

(BW-Jul.18'42,p28), and all plants are making money. The men know that, if for no other reason than their personal pay checks are higher than the bosses got a couple of years ago.

In light of the prevailing situation, the unions will be in a strong position at the stabilization conference to press for labor-management committees, and for further control over the upgrading

system so that men with the most experience in a given trade are guaranteed preferential treatment as the retooling load declines. At present the U.A.W.-C.I.O. tool and die locals are issuing

Matt Smith: Independent

The man who has taken on the job of building a new national labor organization as the temporary president of the new Conference of Independent Unions (BW-Aug.1'42, p53) is Matthew Smith, and Matthew Smith is a curious and most interesting mixture of conservative and advanced ideas. Perhaps the common denominator of all his thinking is hard-boiled, realistic practicality. But it is also sometimes breath-taking in its adventurous outlook.

• **Idea-Seller**—Matt Smith can sell his ideas. That may make him a force to be reckoned with in American labor as he moves into the national spotlight from a comparatively obscure post as secretary and guiding light of the tightly-knit and militant Mechanics Educational Society of America.

Smith is shorter than average, stocky, possessed of regular features and a mop of straying black hair. Unpretentious, he has a simple, small office in Detroit, and he prefers to work in shirtsleeves, tie removed. He is 49, but could pass for ten years younger, and he has all the energy any man needs at any age.

• **Communicative Eyebrows**—His heavy eyebrows—not bushy like John L. Lewis's—epitomize his emotions. Pulled down, they form a firm ledge over intent eyes, bespeaking determination, intensity, conviction. Pulled up, they build a broad, inverted "V" indicating a range of feeling—sarcastic, questioning.

Matt Smith was born in Manchester, England, in 1893. He served an apprenticeship in toolmaking, interspersing it with studies at the University of Manchester. After obtaining papers in the Amalgamated Engineering Union of England, he worked there for a score of years. He was active, but not importantly, in union affairs.

• **To the U.S. in 1927**—British unions left much to be desired for intense Matt Smith. This country beckoned, and he came here in 1927. In 1932, at depression bottom, he found himself working for Chevrolet in Flint as a toolmaker; found, too, dissatisfaction with a 70¢ pay scale. In Flint, almost single-handed, he organized the Mechanics Educational Society of America, then set up chapters in Pontiac and Detroit. His

soft-spoken, English-accented voice was no obstacle to his leadership.

That year the M.E.S.A. struck the G.M. toolshops in the three cities. Smith laughs when he confesses, "We had \$3.70 in the treasury when we closed the shops." A settlement brought a raise to 85¢, and Smith, secretary of the strike committee, gravitated into the secretaryship of M.E.S.A.—a post he has held since.

• **"A Better Contract"**—Today the union has 42,000 members, almost entirely in Detroit, Toledo, and Cleveland. It's a union that has held clear from the U.A.W.-C.I.O. by dint of Smith persuasion and Smith-negotiated contracts. Says Smith:



"The only way we can beat the U.A.W. is to sell a better contract. We do that."

Smith is extremely class-conscious. He thinks in terms of workers, bourgeoisie, managers, stockholders. The workers, he holds, must maintain identity and their leaders must stay in the same economic groove—"or else they will get soft and forget their responsibilities." Leaders get soft, too, in large unions where they become removed too far from the rank-and-file. Smith shoots this criticism determinedly at A.F.L. and C.I.O.

• **Political Realism**—But why organize a new union lineup if there is danger in large groups? The answer is bluntly realistic: Political considerations must inevitably flavor gov-

ernment labor action. Large membership is a political weapon. Ergo, a large membership, as developed by the newly-organized conference, is a practical means for obtaining consideration in Washington.

Yet politics in themselves constitute an undeserving objective of labor, says Smith. "The union's program should be industrial," he says. "When it intervenes in politics, it intrudes on the field of the political party. If sincere, it progresses toward a dead end, for the only political program a union can offer is syndicalism. And I have never seen a program of syndicalism which can work."

• **Exponent of Democracy**—Smith charges C.I.O. and A.F.L. with a total lack of democracy. For the Conference of Independent Unions, he will seek referendum election of all officers, to safeguard rank-and-file control. He will also seek a check over officers similar to that in M.E.S.A., where an administrative committee out of the shops, unpaid by the union and earning livings at their benches alone, can fire him or anyone else in the executive offices for cause, at will.

The closed shop and the checkoff are objects of Smith disapproval—devices to simplify union membership and dues collection problems.

He is unsold on seniority. To him, the workingman's nobility is in one sense his power to sell his ability in the best market. Seniority constitutes a chain. "As long as our men are kept out of shops by seniority lists," he says, "we will have to have lists of our own." But he doesn't like them.

• **A Working Man**—Matt Smith works seven days a week, averages 14 hours a day. He gets \$6,000 a year, which includes all his expense while in the Detroit area. He points out that \$5,000, which he figures is "net" after expenses, is no more than a tool and die man can earn today without too much difficulty.

In July the M.E.S.A. administrative committee offered Smith a raise, pointing out that his overtime work would make him more money in a shop. He turned it down. His explanation: "I can live well on what I make now. If I got into a higher income class, I might forget I'm a toolmaker."

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COPY required August 31, for issue of Sept. 5.

certificates to journeymen who are in the ranks.

This practice is evidently being followed with the intention of making sure that craftsmen in various industries receive first choice of available jobs henceforth.

ALUMINUM CONTRACT UP

Negotiations are in progress between Aluminum Industries, Inc., of Cincinnati and C.I.O.'s Aluminum Workers Union for a renewal of contract.

Maintenance of membership and double-time for Sundays and holidays are the principal contract modifications brought up for discussion by the union.

Wage questions are not a part of these negotiations, which started July 6. The company, last spring, gave a 7¢-an-hour pay increase, retroactive to Mar. 1, to all employees earning less than \$1 an hour. This was not confined to union members nor was any union shop demand a factor in that voluntary arrangement, as reported in error at the time (BW—May 16 '42, p44).

Aluminum Industries, Inc., now going all-out on war production, notably of critical aircraft materials, employs about 1,300 union and non-union workers for whom Aluminum Workers Union is officially accredited as exclusive bargaining agent.

Girl Problem

Capable office help is so scarce in Detroit that commas hardly mean a thing. City shy of waitresses and servants, too.

If your business letter from Detroit is misspelled in spots and misspelled from time to time, think nothing of it. The shortage of trained office help is so severe in that arms center that merely a reasonable facsimile of good secretarial work is welcomed. Girls go from job to job, shopping for the highest pay rates; wages are rising steadily; and supply can't take care of demand.

• **Going Up**—Less than 12 months ago it was possible to obtain in Detroit a fairly capable and experienced secretary-stenographer for around \$25 a week. Today the rate stands at \$35.

It was possible to hire girls just out of business college or high school typing and shorthand classes for \$15 a week or thereabouts. Today the starting rate at most points is \$25.

The aristocrats of the typists' world are the girls who secure coveted positions in front offices of arms plants. Their basic pay scales often run close to \$40. They are paid at time-and-a-half rates for work over 40 hours, and salary checks of \$60 per week are not at all uncommon.

• **Dearth of Competency**—But there simply is not enough competent help available. The legal stenographers, perfectionists of the keyboards, have been reduced by a steady exodus to Washington. And the upgrading which followed their departure thinned the supply in all categories of ability.

The graduating rate in the training schools is behind demand. And these business newcomers, say employment managers and hiring agencies, appear to be developed along constantly lower standards of education. Young stenographers who can spell even comparatively simple words are more and more scarce.

• **Girls Don't Mind**—Coupled with what was termed by one employment agency manager as a "despairing" situation is a calculating appraisal of the market on the part of the girls. Employment agencies tell of stenographers placed in better jobs than they ever had before, only to leave them after a few days because the facilities were not all that were desired, or because the bus schedules to the point of work were unsatisfactory, or—most relevant—because a better offer had been made by another firm.

How large is this vacuum of stenographic help? There is no way of telling, but based on checks of employment agencies and company managers, it can be estimated that if some 2,000 girls turned up in Detroit on a Monday

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FOOTSTEPS are the **SABOTEURS** OF TIME



EVERY time your secretary leaves your office it takes some of your time away from an important job . . .

Every time you put a call through your already busy switchboard to talk with some clerk in your organization, it is cutting your personal efficiency . . .

Every time one of your customers calls you by long distance phone for certain information, you lose some of his confidence if you cannot secure the information he requires instantly . . .

Each one of these instances is evidence that foot-steps are saboteurs of time—the most vital factor in present day by day changes.

Teletalk, the modern method of intercommunication in offices and factories, is your one guarantee against the endless steps, useless questions, waste of energy, and loss of time.

Teletalk is not expensive. It is easy to install. It is a vital accessory to the conduct of every business en-

gaged in war production. It is being used in practically every governmental department and in many of the large business institutions of the country now engaged in war production.

Teletalk eliminates switchboard congestion. It leaves your telephone system free for important incoming and outgoing calls. It enables you to get information quickly, give instructions without delay, hold conferences with your fellow executives without the need for any man to leave his desk, and it facilitates the entire routine of the day's work.

Teletalk is available in systems ranging from five to twenty-four stations, for either one or two-way communication. It can be supplied for paging only. It has special features such as earphones for confidential conversation, annunciators that tell you who has called during your absence from your office, and many other features not found in other systems. Teletalk is available through the distributors and dealers in all the large cities.

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Business Week • August 22, 1942

morning soon, of average to superior ability, they could probably all be placed by the end of the week. And there would be little displacement of girls in existing jobs, either.

• **Other Shortages**—Coincident with the shortage of stenographic help has come shortage in other business office divisions manned by both men and women. Accountants, bookkeepers, and the like are scarce. In offices where such jobs were filled by men, better-equipped women are moving in. They are not as well trained as the men, but they do the job passably well. Their pay rates are above what they formerly earned, but do not stand at male levels. Many of them graduate from secretarial posts, however, making the situation in that latter field more difficult.

• **Comptometer Operators**—Girl comptometer operators are equally as scarce in Detroit as good stenographers. An experienced comptometer operator can start to work in an instant at \$150 per month.

The problems of the office managers are duplicated with the restaurant owners. Wage rates for fairly experienced waitresses stood at \$12 to \$15 plus tips a year ago; today they have jumped to \$18 to \$22 per week plus tips. Jobs at \$25 or more per week, plus tips, are by no means uncommon. In these wage brackets, too, a high degree of independence is displayed by the girls, and shifts from job to job come with startling rapidity.

• **Domestic Help**—Outstanding scarcity exists in domestic help brackets. Pay scales for maids living with and boarded by employers have risen from \$10 or \$12 a week last year to \$15 and \$18 at current scales—and supply is far below requirements.

Basic in all these scarcities is the increase in Detroit demand. Paper work has multiplied for office work under war programs; higher standards of living developed by better pay rates have augmented the demand for servants and the frequency of dining out.

At the same time, supply has thinned, not only because of the attraction of civil service and political jobs in Washington but also because of the demand for female labor in industry.

• **Into the Factories**—Stenographers who are not afraid to dirty their hands and many of the waitresses have gone into the factories. They have heard they can train for a month or two, then go into jobs at 90¢ or \$1 an hour, with time and a half for overtime, of which there is a good deal. Pay checks of \$50 per week or more, earned in overalls, are apt to overbalance office jobs which are clean, but which bring only a half or two-thirds as much.

And—bad as the situation is today, the general expectation is that it will become definitely worse before it improves.



STAY-AT-HOMES' SHOW

Thousands of munitions workers, shipbuilders and other people of Newcastle, England, spent their first "Stay

at Home Holiday"—inaugurated recently to ease the strain on travel facilities—at a street fair which the city sponsored. All sorts of amusement devices were in use.

TALKER MUST ALSO WORK

Many employers who believed that the Wagner Act permitted a worker to spend a good part of his working time organizing and talking for the union, without any risk of being penalized, were surprised by a recent decision of the National Labor Relations Board. In a case involving a charge of anti-union discrimination against Helena Rubinstein, Inc., New York cosmetics manufacturer, NLRB upheld the company's action in transferring an active unionist from one job to another.

NLRB found that a machine tender had been so active that he retarded production; that he had been warned by union representatives, at the company's request, to desist; and that his transfer from one job to another, where he was not free to circulate around the plant, was proper and not an illegal or antiunion act.

MINE PAY HEARINGS OPEN

Most serious of several wage situations which threaten to drain workers away from essential industries is that involving the nonferrous metal mines (BW—Aug. 1'42, p56). Nonferrous miners not only get less than workers in nearby arms plants but also find their pay subject to wide variation within their own industry. The basic daily rate for machine drill operators, for instance, ranges from \$4 in southwest New Mexico to \$7.25 in Idaho.

Urgently needed copper production

faces a shortage estimated at from 4,200 to 6,100 men this year exclusive of losses through labor turnover and other withdrawals. Mine owners told the War Production Board that output could have been 5,000 tons higher in July if sufficient labor had been available.

C.I.O.'s International Union of Mine, Mill, and Smelter Workers is seeking wage increases ranging from \$1 to \$1.55 a day for the workers it represents in 37 mines and mills. As a result, the National War Labor Board has tackled the problem on an industry-wide basis, with hearings beginning in Washington this week. Best informed opinion is that the Little Steel wage formula (BW—Aug. 15'42, p84) will not be controlling in this case, because of the need for greater wage adjustments to prevent migration of badly needed workers.

ALCOA (CONTINUED)

Beginning of another chapter in the tempestuous labor history of Aluminum Co. of America's Cleveland works was heralded last week when the National War Labor Board postponed action on a demand of the C.I.O. Mine, Mill, and Smelter Workers (BW—Aug. 1'42, p56) for maintenance of membership. The board, which at the same time rejected a plea for a wage increase for Alcoa workers in ten cities, decided to send a representative to seek the facts underlying "unsatisfactory relations" in Cleveland. In other Alcoa plants, Aluminum Workers of America wanted M. of M.

COMMODITIES

Full Dinner Pail

Record food production is shown by D. of A. crop report. Credit is largely due to big increase in yield per acre.

If food will win the war, we can start thinking about the peace terms. The Department of Agriculture's regular monthly general crop report presents a picture of the most heavily laden cornucopia that even this immense and productive land has ever seen.

Adding up a long list of shattered production records shows that the total volume of all crops this year will be 6% above any former year, and 21% above the 1922-32 average. Average yield per acre will be 28% above the average of the 1922-32 period.

• **A Rare Month**—Much of the credit for the record bulk of foodstuffs this year must go to the high yields per acre, which offset in many cases the lingering skimpiness of acreage not yet recovered from AAA curtailments. In turn, much of the yield credit must go to the month of July, a rare month for farm yields in important producing areas this year.

Although the over-all panorama is a shining example of good luck in an emergency year and will unquestionably serve as propaganda to be used to advantage against the Axis in Europe, there are spots that could be changed to advantage.

• **Overabundant Wheat**—Chief example of unnecessary plenty is wheat. With midwestern prairies dotted with piles of wheat that cannot find storage room in terminals, the wheat crop took a spectacular jump during July, passing last year's harvested total with a swish and standing now as the largest crop since 1915 at 955,000,000 bu.

This huge bushelage, together with our carryover, Canada's carryover, and Canada's forthcoming excellent crop, will provide something like 2,600,000,000 bu. of wheat for two countries that normally consume only 850,000,000 bu. in a good year.

• **Corn Is Different**—The corn is something else again. With corn processors working at capacity and a huge hog population growing up to eat corn, the biggest crop in ten years, if it comes through all right, will be welcome. All cereal grains together, however, including rice and buckwheat, total 210,000,000 bu. more than last year, which is much more good luck than we needed in that department.

The foods that are really needed in

this war year are those that will keep the country's fighting forces well nourished, that can be dehydrated for shipment to the Allies, and that can pinch-hit for things we have lost in Pacific territories. In these most important departments, the Department of Agriculture has a lot of very good news to report.

• **For the Table**—Meats, fresh fruits, and vegetables are necessary for home nutrition. The year's rank green pastures and the production of all hays (15 million tons more than last year and greatly above average) come at an opportune time for making meat. Fruit crops fortunately remain within 3% of last year's bumper outturn, and vegetable production is particularly strong in the crops that serve the fresh markets, the nation's canners, and the dehydrators.

Military needs are highlighted by big meat consumption, and meat production, thanks to the pastures, hay, and corn, will be stimulated to record levels despite occasional misfirings of the marketing process under lend-lease influences.

Not included in the crop report, but equally important for lend-lease shipping, are the dairy farm products. The production total this year from such

sources ties in very nicely with the general cornucopia.

• **Vegetable Oils**—Even better is the outlook for substitute crops to replace war losses. One of our big problems is replacement of oriental vegetable oils by producing greatly expanded domestic oilseed crops (BW—May 23 '42, p. 45). In this sector the crop report is a gleaming success. Main burden of increase has fallen on peanuts, and the peanut crop this year, to be used very largely for oil purposes alone, is 90% larger than last year.

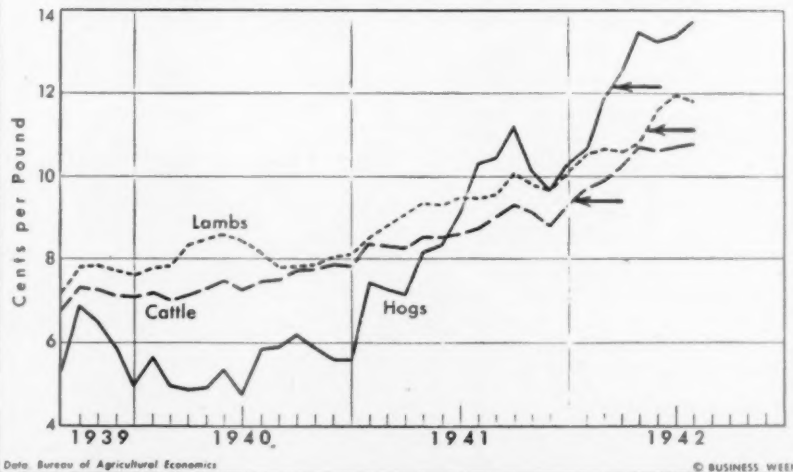
Of approximately equal importance is the soybean crop and here the increase over last year is 45%. Both peanuts and soybeans are several times larger in production than during the 1922-32 period when both were relatively insignificant crops.

• **Cottonseed and Flaxseed**—Two other oil crops are cottonseed and flaxseed. Flax is up 32% over last year, and far ahead of former averages, since it has been coming up sharply for four years. Cottonseed shows the smallest gain, 22% over last year, partly because it is a byproduct of an unwanted lint cotton crop and partly because the emergency push in the cotton belt went to peanuts rather than cotton.

Altogether the oil crops are showing a 45% increase over last year, which is good news not only from the food angle but also from the standpoint of the soap, paint, explosive and other industries which are under war stress.

NUB OF THE MEAT PROBLEM

Livestock prices, at new high levels, are far above the points (indicated by arrows) at which OPA is permitted to fix ceilings with Agriculture Department approval



Prices of meat on the hoof have been rising steadily since the end of 1940, are now substantially higher than the highest of the four-ply ceiling levels allowed by the price control law (BW—Feb. 7 '42, p. 18). However, OPA may not impose any ceiling at all under

the law without the approval of the Dept. of Agriculture. Not until mid-week did Sect. Wickard show any inclination to grant this approval. Thus an ever-tightening squeeze is being felt by packers and retailers whose prices are controlled by OPA.



So that the products of their machines will be delivered ready to use, many manufacturers are using Protek-Sorb Silica Gel to eliminate the cause of corrosion, rust, mildew and other damage caused by moisture during shipment or storage. They have discarded time-wasting methods of preventing moisture damage—are planning to guard their peace-time products with Protek-Sorb—while they help bring "V" day closer.

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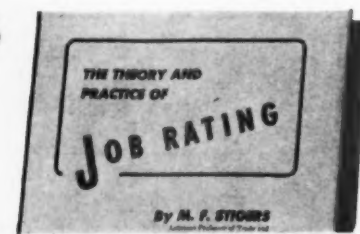
How to rate jobs

- for greater incentive
- for increased production
- for balanced purchasing power
- for better employee relations

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FINANCE

Hopson's Legacy

SEC divestment order for AGE Corp is mark of progress in disentangling of system, but end is by no means in sight.

Creditors of the battered Associated Gas & Electric system jumped nervously last week when the Securities and Exchange Commission handed trustees a sweeping divestment order. No holding company can unload 116 subsidiary properties on the current market without taking a brutal loss. And Associated's security holders are particularly sensitive to losses.

• **Saving the Pieces**—Ever since 1939, when the Associated empire fell to pieces, it has been obvious that assets of the top holding companies would not cover fixed obligations. Anything that reduces the value of what is left cuts another patch out of hides that are already badly scarred.

Actually the divestment order has been in the cards for a long time. Associated Gas probably won't lose by swallowing the dose as soon as it can. All of the 116 companies lie outside the range of any integrated systems that might be carved out of the old Associated group. To comply with the holding companies act, AGE Corp will have to get rid of them sooner or later. • **Some Semblance of Order**—In one way the order is encouraging. It is quite an accomplishment for the Associated system to have its affairs straightened out enough to know what it owns and what it must unload. For two and a half years, trustees have been working over the jumble of companies that remained when Howard C. Hopson's utility pyramid crashed down in bankruptcy. This is the first time the picture has been clear enough for SEC to draw up a divestment order.

Associated Gas has come a long way since 1939 when SEC pressure broke up Hopson's juggling act and forced his top holding companies into bankruptcy. It still has a rough road ahead, however. Trustees not only must work out a financial reorganization. They must also provide for integration required by the holding companies act. Otherwise the SEC would turn thumbs down on the reorganized system, no matter how sound financially.

• **A Major Problem**—Before reorganization is complete, there must be a decision in the famous "Recap" litigation—a battle for seniority between two major groups of security holders. This and most other problems of the system go

back to the old days of Hopson's management (BW—May 17 '41, p. 24).

In 1922 Hopson took control of Associated Gas and Electric Co., a \$15,000,000 utility in upstate New York. In the next ten years he put on an exhibition of financial acrobatics that was rivaled by few even in that fantastic era. Fundamentally his system was to float securities and buy voting control of companies he wanted, then float more securities and expand again. Holding companies and subholding companies sprouted everywhere. A dozen or so different varieties of security were issued by the top company alone.

• **Hoppie's Hobbies**—Trustees charge that Hopson gave no attention to the price he paid for new companies. They accuse him of taking exorbitant fees, of milking the system through a set of shady service companies, of jimmying accounts, and of rigging stock prices.

But Hopson kept ahead of the game. By 1931 assets of the Associated system were carried at just under \$1,000,000,000. Through an intricate system of holding companies he controlled about 150 substantial companies.

• **Danger of Default**—Then, in 1932, things started to get uncomfortable. The company's credit was no longer good, and for the first time Hopson couldn't float himself out of trouble with a new issue. Outstanding securities all up and down the line were eating up income in interest payments, and there was serious danger that the parent would have to default.

To postpone the day of reckoning, Hopson worked a typical sleight of hand. He already had a handy little company known as the Associated Utilities Investment Corp. Suddenly the Investment Corp. changed its name to Associated Gas & Electric Corp. Assets of Associated Gas & Electric Co., the original parent, were turned over to the newcomer; Grandpappy A.G. & E. Co. got an open book credit for more than \$550,000,000.

• **Top Company Holds Bag**—Legerdemain didn't end there. In a way that still isn't clear, AGE Co gave up its claims on AGE Corp, taking common stock instead. Thus AGE Corp wound up with the assets, AGE Co with stock in AGE Corp.

This maneuver complete, Hopson turned to security holders of the company and tried to pressure them into exchanging their bonds for securities of the corporation. The obvious advantage was that they would get back the senior claim on system assets they had before AGE Corp inserted itself between them and the rest of the system. Turning this to his profit, Hopson gave them the choice of taking a 50% cut in principal and interest, or taking their interest on an "as earned" basis.

• **Real Fight Starts**—By the time Hopson ended his "sales" campaign, he had



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MANAGEMENT MEN

THE MARKETS

Wall Street had more news than it could digest this week. Traders waited uneasily with an eye on the wide tape ticker, wondering what conclusions they should draw from the various reports that rattled out of it.

• **Gaging the War News**—War developments attracted much of the Street's attention, but the market was uncertain about how to appraise them. New German advances in Russia were unquestionably bad news. Still, German advances are no novelty, and the market has often taken them without a flicker. Many traders think prices already discount developments in the Caucasus.

The U. S. offensive in the Solomons provides an item for the opposite side of the balance sheet, but, in comparison with other war developments, it seems on a fairly small scale. The allied landing at Dieppe was big news, and brokers offices were noisy with second front arguments. But here again traders had to wait impatiently for information that would show up the true significance of the commando foray.

• **Aid for the Banks**—In the government bond market, dealers were somewhat relieved to hear that the Federal Reserve Board had finally cut reserve requirements for New York and Chicago banks. Metropolitan bankers were sure that Washington intended to take no chances with the money markets, but when New York's excess reserves dropped to \$130,000,000, they began to get nervous.

Tax talk took an encouraging turn during the week when several members of the Senate Finance Committee came out flatly for easing the load on corporations. Most traders think that by now the market has allowed for the worst that can happen in taxation.

• **Stockholders' Prospects**—Dividend news was mixed, and holders of the so-called "blue chips" found it particularly hard to read the signs. Last week Eastman Kodak cut its quarterly dividend from \$1.50 to \$1.25, which was about what the market had expected. Eastman's net income shows a big shrinkage this year, largely as a result of the excess profits tax.

To offset their disappointment in Eastman, traders can look at American Telephone and Telegraph which last Wednesday declared its regular \$2.25 quarterly dividend. But Mother Bell's income statement also tells a dismal story. Net earnings show a substantial drop even without making allowance for increased tax rates.

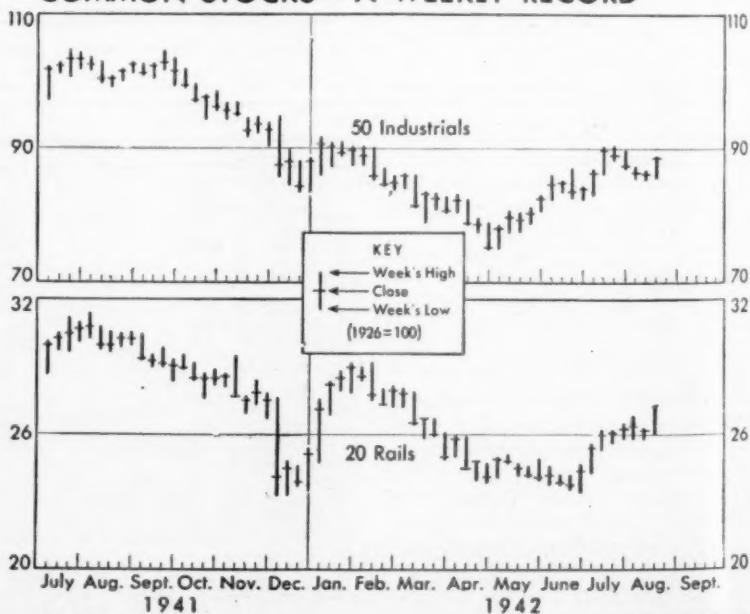
• **Financial Landmark**—A. T. and T. has stood by its \$9 annual dividend for 20 years. During the depression the company proved that it would go into surplus if necessary to keep from slicing dividends. In spite of that, many traders think the \$9 rate can't survive wartime taxes and expenses. Straw in the wind: two dividend cuts by 70% owned New England Tel. and Tel.

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial ...	88.7	86.5	89.2	100.3
Railroad ...	27.3	26.2	26.1	30.0
Utility ...	30.1	29.7	30.9	45.0
Bonds				
Industrial ...	108.7	108.3	108.8	104.2
Railroad ...	85.9	84.5	83.8	86.6
Utility ...	104.0	103.7	104.2	107.2
U. S. Govt. ...	110.5	110.5	110.8	111.2

Data: Standard & Poor's Corp. except for government bonds which are from the Federal Reserve Bank of New York.

COMMON STOCKS—A WEEKLY RECORD



persuaded holders of some \$203,000,000 of company securities to shift into the corporation issues. About \$59,000,000 held out, formed a protective committee, and began the now-famous Recap litigation—so named because Hopson's scheme was titled "Plan of rearrangement of debt capitalization."

From then on Hopson lost ground. The protective committee secured representation on the board of directors of the corporation, which put a stopper on further security manipulation. Congress passed the holding company death sentence in spite of Hopson's bitter and expensive opposition. (In fact his faked telegrams, many signed with names taken off gravestones, were largely responsible for the legislative crackdown.)

• **Criminal and Civil Cases**—Finally in 1939, the SEC moved in, stopped upstream dividend payments from the corporation to the company, and pitched both into reorganization. Hopson was tagged on a charge of using the mails to defraud, and is now serving five years.

All this meant that the trustees who took over early in 1940 had more than an ordinary reorganization job on their hands. The two AGE Corp trustees, Denis J. Driscoll and Willard L. Thorp, set about putting the operating system in order. The first trustee for the company died not long after appointment and was succeeded by Stanley Clarke who promptly brought the Recap issue to a head by challenging the seniority of corporation securities.

• **Who Gets the Assets**—Recap litigation, now before a special master, is the big stumbling block in the way of reorganization. Until the court decides who is to get the system assets, there is no point in trying to distribute them.

Corporation creditors contend that their claims stand ahead of all others and should be paid first. Company security holders claim at least equal standing; the Recap plan, they say, was an obvious fraud and should have no legal weight. Moreover, the terms of their securities may have prevented the company from transferring the bulk of its assets to another. Company creditors think the reasonable thing is to put senior securities of both the corporation and the company on equal footing.

• **Hard on Stockholders**—The question of seniority is important because assets probably won't cover all the outstanding claims of general creditors (\$146,000,000 against the corporation, \$71,000,000 against the company). Junior issues will get nothing unless they can prove fraud or in some other way qualify themselves as general creditors. Common stock is worth exactly its weight in waste paper. Two weeks ago the SEC ordered the company's Class A stock, \$1 par, dropped from the New York Curb and the Los Angeles Stock Exchange.

Both sides hope to get the Recap issue straightened out before winter. Left to



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Business Week—August 22, 1942

ACME STEEL CO.....69	WM. E. HOOPER & SONS CO.....29
Agency—THE BUCHAN CO.	Agency—MCLAIN ORGANIZATION, INC.
ADVANCE MOLDING CORP.....88	HOTEL MAYFAIR.....88
AMERICAN INDUSTRIES SALVAGE COMM.....59	Agency—GARDNER ADVERTISING CO.
Agency—McCANN-ERICKSON, INC.	HYATT BEARINGS DIVISION
AMERICAN-MARIETTA CO.....39	GENERAL MOTORS SALES CORP.....45
ARMSTRONG CORK CO.....4	Agency—CAMPELL-EDWARD CO. OF NEW YORK, INC.
Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.	INTERNATIONAL CHAIN CO.....43
ASSOCIATION OF AMERICAN RAILROADS.....57	Agency—THE AITKIN-KYNETT CO.
Agency—ARTHUR KUDNER, INC.	INTERNATIONAL HARVESTER CO.....37
ATLAS FENCE CO.....88	Agency—AUBREY, MOORE & WALLACE, INC.
ATLAS POWDER CO.....30	JOHNSON & HIGGINS.....23
Agency—ALBERT FRANK-GUNTHER LAW, INC.	Agency—DORRUMUS & CO.
AUTOMATIC ALARMS, INC.....74	G. B. LEWIS CO.....76
Agency—WHAETLER ADVERTISING INC.	Agency—BURT S. GITTING, ADVERTISING
BELL SOUND SYSTEMS, INC.....74	MACARTHUR CONCRETE PILE CO.....22
Agency—WHEELER-KIGHT AND GAINY, INC.	Agency—G. M. BASFORD CO.
BOEING AIRPLANE CO.....61	MAINE DEVELOPMENT COMMISSION.....50
Agency—N. W. AYER & SON, INC.	Agency—N. W. AYER & SON, INC.
BRIDGEPORT BRASS CO.....84	P. R. MALLORY & CO.....67
Agency—HAROLD ADVERTISING CORPORATION	Agency—THE AITKIN-KYNETT CO.
L. L. BROWN PAPER CO.....22	MARYLAND CASUALTY CO.....21
Agency—COWAN & DENGELER, INC.	Agency—J. M. MATHES, INC.
BUFFALO FORGE CO.....55	GEORGE S. MAY CO.....4th Cover
Agency—MELVIN F. HALL ADVERTISING AGENCY INC.	Agency—JIM DUFFY, INC.
BULLDOG ELECTRIC PRODUCTS CO. 46, 47	MCGRAW-HILL BOOK CO., INC. 42, 40, 86
Agency—BROOKER, SMITH, FRENCH & DORRANCE, INC.	MICROSTAT CORP.....25
BUSINESS WEEK.....49	Agency—OSWALD ADVERTISING AGENCY, INC.
THE PHILIP CAREY MANUFACTURING CO.....87	NATIONAL BRONZE & ALUMINUM FOUNDRY CO.....31
Agency—THE S. C. BARR CO.	Agency—HAYLBERG-KERR CO.
CARRIER CORP.....41	THE NEW JERSEY ZINC CO.....9
Agency—CHAR. DALLAS REACE CO.	THE OHIO CRANKSHAFT CO.....27
CELANESE CELLULOID CORP.....35	Agency—THE GRISWOLD-ERLEMAN CO.
Agency—THE AITKIN-KYNETT CO.	OHIO TOOL CO.....83
THE CELOTEX CORP.....51	Agency—MEERMAN, INC.
Agency—MACFARLAND, AVEYARD & CO.	THE OREGONIAN.....63
CHRYSLER CORP.....88	Agency—MAC WILKINS & COLE, INC.
Agency—DORRUMUS & CO.	PENN ELECTRIC SWITCH CO.....73
CLUES.....80	Agency—LAMFORT, FOX & CO.
COCA COLA CO.....79	ALBERT PICK CO., INC.....91
Agency—D'ARCY ADVERTISING CO., INC.	Agency—EARLE LUDGIN, INC.
THE COLSON CORP.....3rd Cover	PLYMOUTH CORDAGE CO.....38
Agency—MEERMAN, INC.	Agency—FULLER & SMITH & ROSS, INC.
COLUMBIA BROADCASTING SYSTEM, INC.....32, 33	PORTLAND CEMENT ASSOCIATION.....52
CONNECTICUT GENERAL LIFE INS. CO. 42	Agency—ROCHE, WILLIAMS & CUNYNNHAM, INC.
Agency—EDWARD W. ROBERTS & CO.	REMINGTON-RAND INC.....80
CUTLER-HAMMER, INC.....10	Agency—LEWIS ADVERTISING AGENCY, INC.
Agency—KIRKADDER-DREW	RESINOUS PRODUCTS & CHEMICAL CO. 53
DAVISON CHEMICAL CORP.....86	Agency—T. J. MALONEY, INC.
Agency—THE EMERY ADVERTISING CO., INC.	TAYLOR INSTRUMENT COS.....26
DENNISON MANUFACTURING CO.....68	Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.
Agency—GREY ADVERTISING AGENCY, INC.	TWIN DISC CLUTCH CO.....69
DICTAPHONE CORP.....3	Agency—SPENCER W. CURTIS, INC.
Agency—McCANN-ERICKSON, INC.	UNDERWOOD ELLIOTT FISHER CO.....45
DODGE MANUFACTURING CORP.....76	Agency—MARSHALL & PRATT, INC.
Agency—ELAC-VAN PETERSON-DUNLAP ASSOC.	UNITED STATES PLYWOOD CORP.....56
ELLIOTT ADDRESSING MACHINE CO.....44	Agency—MARSHALL & PRATT, INC.
Agency—ALLEN & RICHARDS CO.	UNIVERSAL ATLAS CEMENT CO.....75
EMPIRE ELECTRIC BRAKE CO.....40	Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.
Agency—ALFRED F. TOKAR, ADVERTISING	WARNER & SWASEY CO.....2nd Cover
FRUEHAUF TRAILER CO.....77	Agency—THE GRISWOLD-ERLEMAN CO.
Agency—SCHIFFER ASSOCIATES	THE WAYNE PUMP CO.....44
GENERAL ELECTRIC CO.....12	Agency—BONDIS ADV. AGENCY
Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.	WEBSTER ELECTRIC CO.....81
THE B. F. GOODRICH CO.....1	Agency—J. B. HAMILTON ADVERTISING AGENCY
Agency—THE GRISWOLD-ERLEMAN CO.	WESTINGHOUSE ELECTRIC & MFG. CO. 70, 71
GRAYBAR ELECTRIC CO.....2	Agency—FULLER & SMITH & ROSS, INC.
Agency—G. M. BASFORD CO.	WICKWIRE SPENCER STEEL CO.....54
	Agency—FULLER & SMITH & ROSS, INC.
	WILLSON PRODUCTS, INC.....8
	Agency—JAMES G. LAMB CO.
	YORK ICE MACHINERY CORP.....4
	Agency—J. M. MATHES, INC.

the court, it may drag on longer than that, but there is a good chance that the trustees will work out a compromise.

• **Untangling the Mess**—In other respects, reorganization is making progress. Since the trustees took over, they have arranged 27 property sales and have closed out 31 useless subsidiaries. Refundings and accumulation of earnings on the operating level have strengthened the underpinnings of the system.

Tax troubles, one of Hopson's greatest headaches, are straightening out gradually. Since the trustees came in, 296 federal tax cases have been settled, which leaves only 42 pending. Trustees also paid off \$5,700,000 owed the government on a tax compromise Hopson arranged shortly before the bubble burst. To handle this, they floated a \$5,000,000 issue of certificates, paying 2.25%. Interest on the tax debt accrued at 6%.

• **Four-System Plan**—In November, 1941, the trustees submitted an integration program for the system, hoping to comply with SEC requirements at the same time that they worked out the financial reorganization. Under the plan, operating properties would split up into four systems—New York-Northern Pennsylvania, Eastern Pennsylvania-New Jersey, Western Pennsylvania, and Florida-Georgia.

Concentrating into the four systems will mean disposing of other system properties, which are scattered all over the country and even include a company in the Philippines. According to the plan, proceeds of these sales will be used to clean up debts and strengthen the remaining companies so they will be in no danger of folding up as soon as they are released by the court.

• **Arrangement Difficult**—So far SEC hasn't approved the plan, but the final arrangement will probably take some such form. The commission's divestment order last week is the first step in actual breakup of the system.

Big difficulty is that war conditions make it impossible to dispose of many properties that would have found buyers, without much trouble in peacetime. In their last report, the trustees told security holders that it would no longer be possible to follow exactly the blueprint laid out last November.

• **How Much Time?**—Under the holding companies act, AGE Corp must comply with the divestment order within a year. SEC can allow another year at its discretion. After that the letter of law leaves no choice. Actually, SEC believes it can let a company take as long as it wants provided there is no question of its good faith.

Probably SEC doesn't intend to force unloading until there is a fair market for system properties. In the meantime, creditors hope the companies can get out of the courts on a partly integrated basis, promising to finish the job later.

THE TRADING POST

Two Flags—One Problem

This is a tale of one city under two flags. The city is Seattle. The flags are Boeing's Army and Navy "E" pennant, raised over its Seattle plant last week, and Webster-Brinkley's Maritime Commission "M" pennant, both awarded for outstanding war production.

Nowhere is the scope of America's war effort more strikingly revealed than in these two awards. For they demonstrate the diversity of its demands upon our resources and the extent to which industry has gone all out to meet the exacting needs of all-out war.

Consider Boeing. Here is a great industrial organization. In its plants tens of thousands of workers labor around the clock to build the Flying Fortresses on which the Army counts so heavily for ultimate victory. And behind these thousands of production workers, other thousands of scientists, engineers, and technicians have been laboring for years past to surmount the frontiers of flight and to dominate the battlefields of the air. Boeing is a symbol of high achievement in applying technical research and mass production to meet our need for fighting aircraft.

Now look at Webster-Brinkley. Here is a small company. Its employees are numbered by the hundreds. The machines it builds are but small parts in the vessels that will serve the battle line. Its job is to design and build for making war new varieties of peace-time equipment. Webster-Brinkley is a symbol of resourceful adaptation of existing facilities to meet the needs of a nation at war.

* * *

Boeing began to produce aircraft during the other war. Its long line of trainers, mail and passenger transports, Clippers, fighters, and patrol-bombers it climaxed in 1935 with the first of its Flying Fortresses. To the improvement of their stability, range, speed, and striking power it has applied, model by model, its research into the secrets of flight, from sea-level to stratosphere.

And to produce these master weapons on a scale and at a rate ample for our war needs, Boeing engineers have developed nearly 100,000 special tools, quite apart from standard manufacturing equipment. So shrewdly have they contrived their production processes to meet the demands of quality and speed, that when they put into production the latest model of the Flying Fortress, the first of the new ships, involving more than 400 design changes, was taking its test flight on the very day the last ship of the old model was being delivered to the Army. Today the men of Boeing ask only for

additional supplies of materials to increase by a substantial margin their already amazing production.

* * *

In January 1941 Webster-Brinkley was making steering engines for ships. It was a small unit in a very small industry. Its plant was ancient and run down when its present owners, sensing the growing needs of the defense program, took it over and proceeded to rebuild it. They found their place in the new shipbuilding program. But if their little plant was to measure up, Webster-Brinkley found that they'd have to get into subcontracting on a large scale. So they have let out 75% of their work to some 67 plants the country over. But in order to maintain close supervision over them all, they do in their own shop some part of every job they let out. Thus they know what they have a right to expect in costs and deliveries.

One day, while busy with its steering engines for the Maritime Commission, the plant got a telephone call from the Navy asking it to design and put into production a special steering engine for a very special craft that may soon be figuring largely in the war news. Within six weeks from the call, the first machine had been designed and built. Within seven weeks, eleven had been shipped.

* * *

Here then, in these two companies, operating in the same city, we find the essence of the American war effort. Vast resources and infinite resourcefulness; profound scientific research and ingenious adaptation; mighty concentration of men and machines and widespread distribution of effort among a host of producers; economy of time and energy through mass production and speedy action through the fast footwork of the small compact unit. Here are the ingredients of production for victory.

And now, as they look toward Washington, these two plants, like so many others engaged in war work, have one problem in common. During the last few years they both have had to expand their operations tremendously from small beginnings. Today they watch the progress of tax legislation and wonder how they can turn over to a tax-collector the great bulk of their earnings and continue to do the jobs for which they now are honored. For they cannot convert buildings, machinery, or inventory into cash to pay taxes and, at the same time, keep the wheels turning. And, thus far, they have no evidence that Uncle Sam's Treasury will accept as legal tender the awards of honor they have received from Uncle Sam's Army, Navy, and Maritime Commission. W.C.



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THE TREND

IS SUPER-SAVING DELAYED SPENDING?

There can be no doubt about it. The American consumer really has sprung a surprise, as *Business Week* noted four weeks ago (BW—Jul.25'42,p100). Instead of spending their war-boomed incomes profligately, people have been saving far beyond most economists' expectations. Data now released by the Bureau of Labor Statistics prove the point: Quarterly income of all city dwellers in the United States was up 7% in the first three months of 1942 as compared with 1941. But 57% of that increase in income went into savings; and savings actually ran at a rate 70% higher than in 1941.

Those facts are so striking that they are dangerous. Many persons have already begun to conclude that savings are an automatic antidote for inflation, that American consumers are preventing inflation by buying war bonds and stamps; by paying off debts, and so on. For example, a Department of Labor press release actually went so far as to say that the war "has not brought 'silk-shirt' prosperity and free spending to the average city family in the United States, but instead has brought a high increase in savings."

• **That much is true.** Yet it would be unwise, at this early date in the war economy, to base an assumption that personal savings will take care of inflation on our experience of what happened during the first months of 1942. Remember this: We had just then entered the war. And, immediately after Pearl Harbor, most housewives became cautious—they wanted to save up for a rainy day. In addition, priorities disemployment was just developing into a real (but passing) problem and a large group of consumers uneasily tightened their pursestrings. Furthermore, a great deal of anticipatory buying had been done in 1941—of automobiles, for instance. And such sales naturally fell off, and savings rose accordingly.

Nor is that all. Though it is surprising that people saved as much as 57% of the increased income, it is not surprising that they saved more than formerly. For years, economists have known that savings rise with the income bracket. A man with a \$5,000-a-year income will save a much larger proportion of his earnings than the man with a \$2,000 income. And for an obvious reason: Most of what the low-income family takes in goes out on the bare necessities of life—food, clothing, and shelter.

• **And ever since the war started,** American families have been moving upward in the income brackets; persons with \$1,500 a year have risen into the \$2,000-a-year bracket, and so on. Result: there have been more persons in the upper income brackets to save more. But the problem does not stop there.

We are creatures of habit. The housewife becomes accustomed to spending a certain amount each week for food. Long after her weekly income rises, she continues

to budget according to how she bought in the past. And the same goes for other things. It takes time for the stenographer who pays \$5 for a dress to notch up to the \$10-dress level, even though her salary has gone up from \$25 to \$30 a week. And the man who has managed to get along on three shirts a week doesn't promptly go up to six shirts, just because his income has risen 15%. As long as people continue to spend in their accustomed ways, while their incomes rise, it follows that savings will pile up. Or if incomes fall, then savings decrease.

• **All of this** is indicated by the statistics. Families whose incomes this year ran at a less-than-\$1,500 annual rate, actually spent more than they earned. As economists put it, they dissaved. Many persons in this group suffered income declines due to layoffs and priorities. And they were unable to cut down their consumption habits to their diminished pocketbooks. They ran into debt.

On the other hand, families whose incomes ran above \$1,500 a year, showed big increases in savings—much bigger than a year ago. And what stands out is that the proportion of income saved by the \$1,500-to-\$3,000 income group increased much more sharply than the proportion saved by families in the much higher income brackets. Indeed, the higher the income, the lower the increase in the proportion saved; and vice versa, the lower the income (except for the under-\$1,500 group), the greater the increase in proportion saved.

Now it so happens that the bulk of the income increases have occurred within the \$1,500 to \$3,000 groups. So that's where the big margin of increased buying power is. Now it also happens that these are the families which saved—not spent—a much larger proportion of their increased incomes than families with higher incomes.

• **This carries** an important implication. It is this: The American housewife, who controls the bulk of increased buying power, has yet to get the feel of her wartime pursestrings. She has not adjusted her spending habits to new and higher income levels. But in time, that adjustment will take place. And that is our real inflation danger—when these new spending habits, bolstered by higher incomes than in 1941, are let loose upon a steadily diminishing supply of consumer goods.

Thus, we cannot afford to accept these large and unexpected savings statistics at face value. Certainly, they are an insufficient reason for relaxing what wage, price, and rationing controls we already have. On the contrary, since they contain a hidden and pent-up inflation threat, the statistics most emphatically suggest a tightening up of inflation controls—and now, not later, when the higher purchasing power rolls down upon the U. S. marketplace.

The Editors of Business Week

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